



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: Final action – vote expected
Keywords: Debt

AGENDA ITEM #5E
October 5, 2021
Action

SUBJECT

Resolution to authorize the issuance of taxable limited obligation certificates to finance the Affordable Housing Acquisition and Preservation Project

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Executive requests that the Council approve the subject resolution to issue additional revenue certificates and refinance certain revenue bond series related to acquisition and/or renovation of affordable housing in the County (see ©1-4). The County issues additional revenue bonds as needed for this project based on the Council's approved project description form (PDF). The resolution also allows the County to refinance previous issued bonds for savings on existing debt.

SUMMARY OF KEY DISCUSSION POINTS

- The Department of Finance intends to finance additional revenue bonds and refinance existing revenue bonds related to the County's Affordable Housing Acquisition and Preservation PDF (see ©5-6).
- The Council's approval of the subject resolution will allow the County to fund current approved expenditures in the project and refinance revenue bonds previously issued for the project.
- The Council's approval of the subject resolution does not constitute a pledge of the full faith and credit and unlimited taxing power of the County. These revenue bonds will be payable "solely from the funds or revenues received from or in connection with the project".

This report contains:

Executive memorandum
Proposed resolution
Approved PDF

© #1
© #2-4
© #5-6

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

September 22, 2021

TO: Tom Hucker, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Bond Authority Resolution - Taxable Limited Obligation Certificates to Finance
the Affordable Housing Acquisition and Preservation Project – PDF #760100

Attached please find the resolution for additional bond authority needed to fund the Affordable Housing Acquisition and Preservation Project (PDF #760100), and to refund certain existing Taxable Limited Obligation Certificates (bonds) for debt service savings. The debt issuance in an amount not to exceed \$100 million will provide funding for the ongoing affordable housing program (approximately \$58 million), as well as a refunding issue of \$42 million. The bonds are planned for issue during October 2021.

The resolution authorizes the issuance, sale and delivery of bonds, limits the amount of bonds that can be sold according to the project description, and empowers individuals within the County government to act on behalf of the County pursuant to the Revenue Bond laws of the State and County governments. The proposed bonds are limited obligations of the County and not backed by the County's full faith and credit. Consistent with prior issues, the County will issue the bonds as Taxable Limited Obligation Certificates, subject to annual appropriation by the County Council.

I would appreciate it if you could arrange to have the resolution introduced on September 28 and adopted the following Tuesday, October 5.

If you have questions or need additional information, please contact me at extension 240-777-8870.

ME:ll

Enclosure

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

SUBJECT: To authorize Montgomery County, Maryland (the “County”) pursuant to and in accordance with Chapter 20 of the Montgomery County Code, as amended, and Section 10-203(b) of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement) to issue and sell obligations of the County in an amount not to exceed \$100,000,000 at one time or from time to time, in one or more series, either as revenue bonds or as limited obligation certificates subject to annual appropriation and not upon the faith and credit of the County, in order to provide funding for the acquisition and/or renovation of properties for the purpose of preserving or increasing the inventory of affordable housing in the County; to refund the limited obligation certificates in whole or part with proceeds from the issuance and sale of limited obligation certificates, or other available funds; to provide that the County Executive of the County (the “County Executive”) may provide for the date of maturity, fix the rate or rates of interest, fix the denomination and provide for the manner of sale of such obligations; to make certain covenants with respect to the obligations; to provide that the County Executive and other County officials must take all necessary, proper or convenient action to effect the issuance, sale and delivery of the obligations; and generally to provide for and determine various matters in connection with the obligations.

Background

1. The County Executive of Montgomery County, Maryland (the “County Executive”) and the County Council of Montgomery County, Maryland (the “County Council”) recognize that there is a significant need for quality housing in Montgomery County, Maryland (“Montgomery County” or the “County”) for households of limited income. The County Council enacted the Montgomery County housing policy, codified at Sections 25B-1 et seq. of the Montgomery County Code, as amended, and its policy with respect to displacement of tenants from rental housing, codified at Sections 53A-1 et seq. of the Montgomery County Code, as amended, to address the issue of the diminishing stock of affordable housing.
2. Section 10-203(b) of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement) (the “State Revenue Bond Act”) authorizes Montgomery County, as a charter county, to issue bonds or other obligations payable solely from the funds or revenues received from or in connection with any

system, project or undertaking, all or part of which is financed with the proceeds of the bonds or other obligations issued for such purpose and that such bonds or other obligations do not constitute an indebtedness of the County or a pledge of its faith and credit or taxing power.

3. Sections 20-47 to 20-54 of the Montgomery County Code, as amended, (the “County Revenue Bond Act”) provides in part that Montgomery County has the power to issue revenue bonds payable solely from the funds or revenues received from or in connection with any project, all or any part of which is financed with the proceeds of such revenue bonds.
4. Section 20-54 of the County Revenue Bond Act provides that revenue bonds issued pursuant to the Revenue Bond Act do not constitute a pledge of the full faith and credit of Montgomery County.
5. The County has determined that it is advisable to have the option to issue obligations to finance the Project identified and defined herein either as revenue bonds under the State Revenue Bond Act and the County Revenue Bond Act payable solely from the funds or revenues received from or in connection with the Project or as limited obligation certificates subject to annual appropriation by the County Council and not upon the faith and credit and taxing power of the County.

Action

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

- Section 1. All terms used herein with an initial capital letter shall have the meanings given such terms in the Background section of this Resolution.
- Section 2. The County Council hereby authorizes the issuance, sale and delivery of revenue bonds (the “Revenue Bonds”) of Montgomery County under the authority of the State Revenue Bond Act and the County Revenue Bond Act and limited obligation certificates of the County (the “Certificates”), subject to annual appropriation by the County Council and not upon the faith and credit or taxing power of the County, in either case in an aggregate principal amount not to exceed Fifty Eight Million Dollars (\$58,000,000) at one time or from time to time, and in one or more series, in order to provide funding for the acquisition and/or renovation of real property (the “Project”) for the purpose of increasing the inventory of affordable housing properties in Montgomery County. The Revenue Bonds or the Certificates shall be referred to collectively as the “Obligations.”
- Section 3. The County Council hereby authorizes the issuance, sale and delivery of limited obligation certificates (“Refunding Certificates”), and the use of other available funds to refund in whole or in part, the limited obligation certificates authorized hereunder, or any outstanding limited obligation certificates issued under Resolution No. 16-675, Resolution No. 16-1298, Resolution No. 17-227,

Resolution No. 17-803 or Resolution No. 18-1181. Such Refunding Certificates may be issued in one or more series and in an aggregate principal amount not to exceed Forty-Two Million Dollars (\$42,000,000) at one time or from time to time. The Refunding Certificates may be issued from time to time in the same manner as the Obligations.

- Section 4. The County Executive by executive order or otherwise must specify, prescribe, determine, provide for, or approve all matters, forms, documents, or procedures that the County Executive deems appropriate to effect the authorization, sale, security, issuance, delivery, and payment of or for the Obligations and Refunding Certificates, subject to certain limitations, and is hereby authorized to determine all matters in connection with the Obligations and the Refunding Certificates (and as authorized under Section 20-51 of the County Revenue Bond Act with regard to any Revenue Bonds), including but not limited to, the dates of maturity, the rates of interest, the denominations, the form of obligation and the manner of sale of the Obligations. The maturity date of any Revenue Bonds shall in no event exceed fifty (50) years from the date of their issuance.
- Section 5. The proceeds of the Obligations may be applied only to (i) pay the costs of the Project or (ii) any fund created for the payment of the Obligations or by the County Executive pursuant to Chapter 25B of the Montgomery County Code.
- Section 6. In accordance with the provisions of the State Revenue Bond Act and Section 20-54 of the County Revenue Bond Act, the payment of principal of and interest on the Revenue Bonds is payable solely from the funds or revenues received from or in connection with the Project. The Revenue Bonds do not constitute an indebtedness of Montgomery County or a pledge of its faith and credit or taxing power.
- Section 7. The members of the County Council, the County Executive, the Chief Administrative Officer of the County, the County Attorney, the Director of Finance of the County and the Clerk of the County Council, for and on behalf of Montgomery County, are hereby authorized and empowered to do all things, execute all instruments, and otherwise take all such action as may be necessary, proper or convenient to carry out the authority conferred by this Resolution, including (without limitation) the execution of certificates of Montgomery County, elections, statements and reports, subject to the limitations set forth in this Resolution (and in the State Revenue Bond Act and the County Revenue Bond Act in the case of any Revenue Bonds).
- Section 8. This Resolution shall take effect upon its adoption.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council



Affordable Housing Acquisition and Preservation

(P760100)

Category	Community Development and Housing	Date Last Modified	05/21/21
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Land	358,236	191,238	34,998	132,000	22,000	22,000	22,000	22,000	22,000	22,000	-
TOTAL EXPENDITURES	358,236	191,238	34,998	132,000	22,000	22,000	22,000	22,000	22,000	22,000	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Current Revenue: Montgomery Housing Initiative	4,775	2,500	2,275	-	-	-	-	-	-	-	-
HIF Revolving Program	259,425	128,767	32,723	97,935	13,293	8,751	19,053	18,981	18,857	19,000	-
Loan Repayment Proceeds	89,496	55,431	-	34,065	8,707	13,249	2,947	3,019	3,143	3,000	-
Recordation Tax Premium (MCG)	4,540	4,540	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	358,236	191,238	34,998	132,000	22,000	22,000	22,000	22,000	22,000	22,000	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 22 Request	22,000	Year First Appropriation	FY01
Cumulative Appropriation	248,236	Last FY's Cost Estimate	358,236
Expenditure / Encumbrances	197,112		
Unencumbered Balance	51,124		

PROJECT DESCRIPTION

This project provides funding for acquisition and/or renovation of properties for the purpose of preserving or increasing the County's affordable housing inventory. The County may purchase properties or assist not-for-profit, tenant, or for-profit entities, or Housing Opportunities Commission with bridge financing to purchase and renovate properties. The monies may be used to purchase properties that are offered to the County under the Right of First Refusal Law or otherwise available for purchase. A portion of the units in these properties must serve households with incomes that are at or below incomes eligible for the Moderately Priced Dwelling Unit (MPDU) program. A priority should be given to rental housing.

COST CHANGE

Added funding over the next six-year period to continue support for preserving and increasing the County's affordable housing units.

PROJECT JUSTIFICATION

To implement Section 25B, Housing Policy, and Section 53A, Tenant Displacement (Right of First Refusal), of the Montgomery County Code. Opportunities to purchase property utilizing the County's Right of First Refusal arise without advance notice and cannot be planned in advance. Properties may be acquired by the County, non-profit developers, HOC or other entities that agree to develop or redevelop property for affordable housing.

OTHER

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

FISCAL NOTE

Debt service will be financed by the Montgomery Housing Initiative (MHI) Fund. In addition to the appropriation shown above, future loan repayments are expected and will be used to finance future housing activities in this project.

DISCLOSURES

Expenditures will continue indefinitely.

COORDINATION

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