



Housing Opportunities Commission of Montgomery County

REPORT OF THE EXECUTIVE DIRECTOR

Chelsea Andrews
Executive Director

March 8, 2023

HOC AT-A-GLANCE: February 2023

February's highlights:

- Spotlights: CDBG Rent Relief Program and COVID-19 Disaster Relief Support
- Legislative Updates
- Highlights from our Resident Services Division
- Updates from our Housing Resource Division
- Real Estate Development activities
- Highlights from Mortgage Finance
- Finance Division Updates



SPOTLIGHT ON:

Community Development Block Grant Rent Relief Program

HOC and Partners Briefing Update: February 9, 2023

Virtual Resident CDBG Rent Relief Information Sessions:

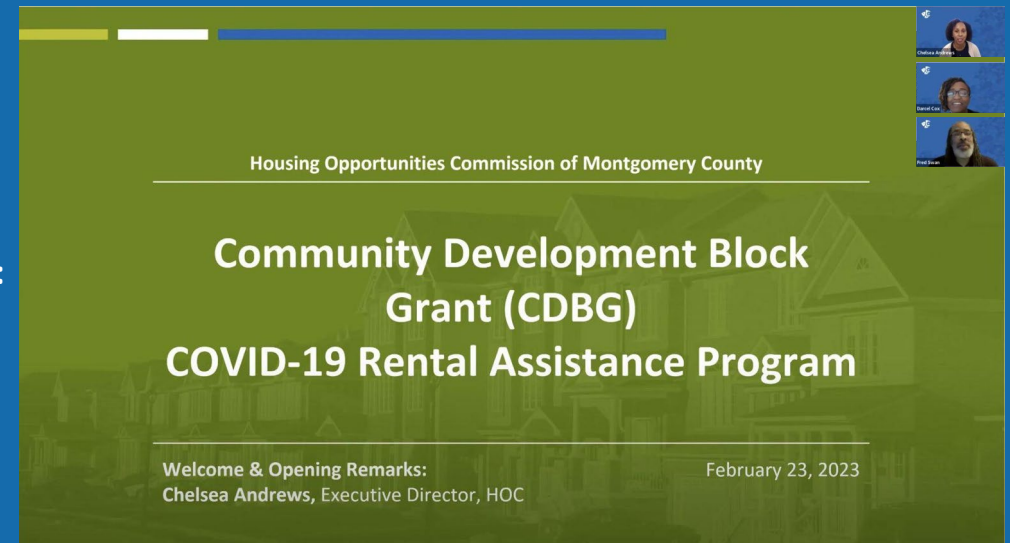
- February 16, 2023: 116 attendees
- February 23, 2023: 76 attendees
- March 2, 2023: 65 attendees

One-on-one Application Assistance - ongoing through March 31, 2023:

- Total assisted to date: 24 (Amharic - 2; French - 8; Spanish - 14)

Total Applications and Delinquency balance

- Total Applications (approved + pending): 161
 - Delinquency Balance: \$877,560
 - Approved Applications: 67
 - Delinquency Balance: \$426,426
 - Pending Applications: 94
 - Delinquency Balance: \$451,134
- Applications received this week: 49



SPOTLIGHT ON:

COVID-19 Disaster Relief Support

- HOC's Finance Team worked with Agency staff members to compile and submit a reimbursement application to the Federal Emergency Management Agency (FEMA) for response and recovery costs resulting from the COVID-19 Disaster
- HOC is pleased to announce the application was approved and HOC will receive \$680k
- Items that are being reimbursed include:
 - The purchase of Personal Protective Equipment (PPE) that includes N-95 Respirators, medical gloves, masks, face shields, gowns, thermometers, and coveralls, and protective screens;
 - The purchase of cleaning and disinfecting supplies that includes bleach, hand soap, hand sanitizer, wipes, and Lysol;
 - Providing Emergency Protective Measures for dissemination of information in order to communicate warnings and guidance for residents and the general public; and
 - Providing Emergency Protective Measures for employee screening equipment to monitor possible infected persons in work facilities
- This is the fifth such award and is by far the largest. The receipt of this award increases HOC's total FEMA reimbursements to \$1.33MM



LEGISLATIVE UPDATE:

- **State Budget:** HOC joined housing advocates across Maryland to advocate for the appropriation of \$175 million in emergency rental assistance funding
- **HB826/SB848 - Statewide Voucher Program:** HOC testified in support of this legislation to establish a new statewide voucher program
- **MC 10-23 - Montgomery County Housing Opportunities Commission – Collective Bargaining Agreement Implementation – Impasse Arbitration:** This bill establishes impasse arbitration for mid-term bargaining for HOC



RESIDENT SERVICES UPDATE:

Valentines Day celebrations across multiple properties

- **February 9:** Facilitated a Valentine's Day card making session for customers at Cider Mill
- **February 10:** Facilitated Valentine's Day parties for customers at Tanglewood and Spring Garden
- **February 14:** Facilitated a Valentine's Day bingo activity for customers at Elizabeth House



RESIDENT SERVICES UPDATE:

Black History Month Program at Waverly House

- **February 22:** Assisted with the coordination of a customer-led Black History Month celebration/program for customers at Waverly House



RESIDENT SERVICES UPDATE:

HOC Academy

Youth Education/Enrichment:

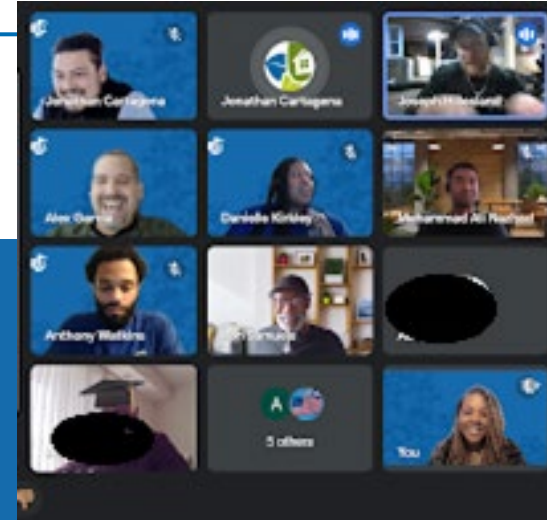
- The program for elementary school age children continued. The 12-week virtual program has twenty-one (21) participants. Highlights from the program are:
 - Mad Science
 - Peace Mode
 - Tie Dye Studio
 - Egg Drop Challenge
 - Magic Mirror
 - Field Trip to Urban Air



RESIDENT SERVICES UPDATE:

Fatherhood Initiative

- **February 24:** Program graduated 31 fathers from the January cohort
- For the month of February, 40 fathers were enrolled for the cohort that will begin in March 2023
- **February 24:** Along with HOC Academy an iFly indoor skydiving event was held for fathers and their families



HOUSING RESOURCES UPDATE:

Housing Choice Voucher (“HCV”) Program

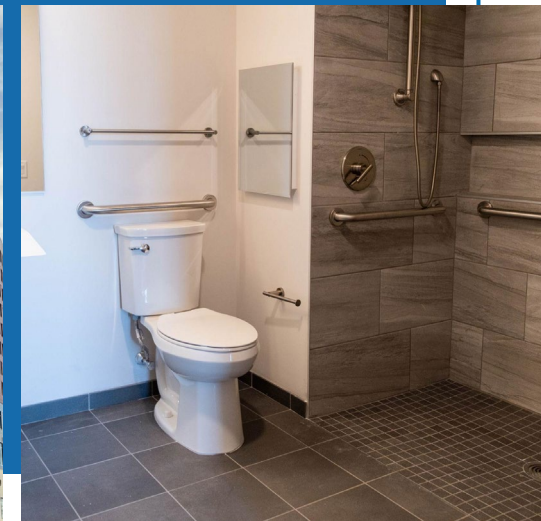
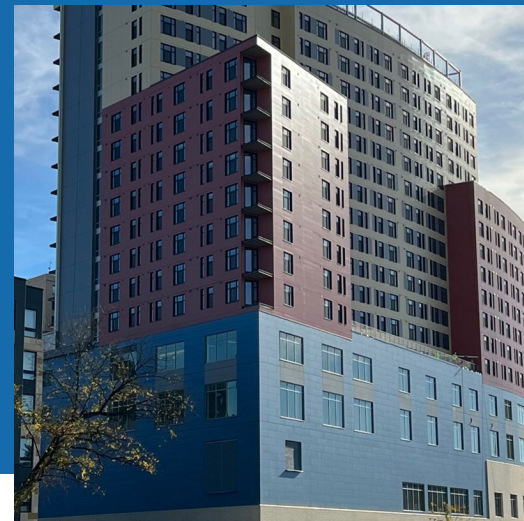
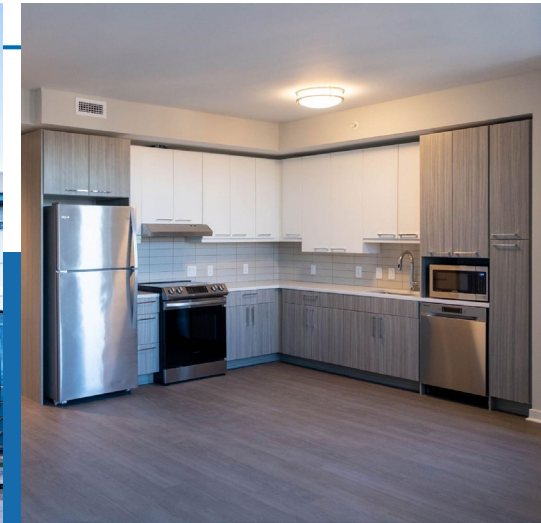
- Currently, 186 families with issued vouchers are searching for suitable units to rent; and 162 contracts are pending execution
- Two Hundred seventy-five (275) families were selected from the HCV waitlist last month
- HOC selects applicants from the Housing Path Waitlist to achieve a 95% program utilization rate. The utilization rate has slightly increased to 96%



REAL ESTATE DEVELOPMENT UPDATE:

Elizabeth Square | The Leggett

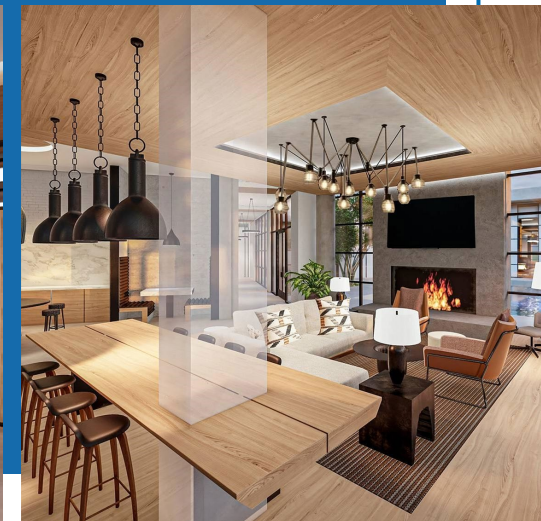
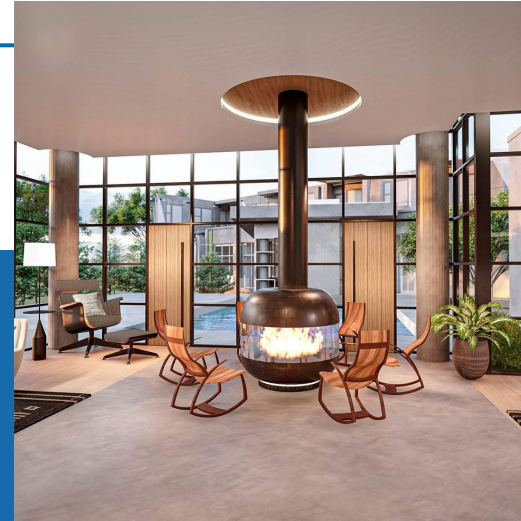
- **February 24:** Use and Occupancy ("U&O") permits were secured
- Final inspections are underway to reach substantial completion by mid-March and facilitate the first tenant move-ins



REAL ESTATE DEVELOPMENT UPDATE:

The Laureate

- U&O permits are expected in the first week of March with substantial completion scheduled for mid-March
- Final construction activities are ongoing, including finishing the UpCounty Service Center space, which is a key component of the project



MORTGAGE FINANCE UPDATE:

Upton II – Residences on the Lane – MHDB 2023A and Mortgage Loan Closing

- **March 2, 2023:** HOC's Mortgage Finance, Finance and Legal teams successfully closed on the 2023 Multifamily Housing Development Bonds Series A, totaling \$28.5 million under the 1996 Indenture for the purpose of funding a mortgage loan
- **March 3, 2023:** HOC's Mortgage Finance, Real Estate, Finance and Legal teams also closed on the \$27 million FHA Risk Share permanent mortgage loan for the property and a \$1.5 million subordinate note to the borrower
- The interest rate for the mortgage is 4.01%, which includes the swap rate, liquidity and remarketing fees, Mortgage Insurance Premium and Loan Management Fees
- Excess proceeds from the closing will reduce the Deferred Developer Fee in the transaction

FINANCE DIVISION UPDATE:

Amendments to the FY23-28 County Improvements Program (“CIP”) and Supplemental Appropriation to the FY23 Capital Budget

WSSC Sewer and Storm Line Improvements at Elizabeth Square

- **February 28:** Montgomery County Council approved the Amendment to increase the Washington Suburban Sanitary Commission (“WSSC”) Sewer and Storm Line Improvements at Elizabeth Square project by \$520,000

Elizabeth House Demolition

- **February 28:** Montgomery County Council approved the Amendment to partially fund the Elizabeth House demolition for \$1,500,000. The request was fully supported by both the County Executive and the PHP

UPCOMING: HOC Procurement Fair

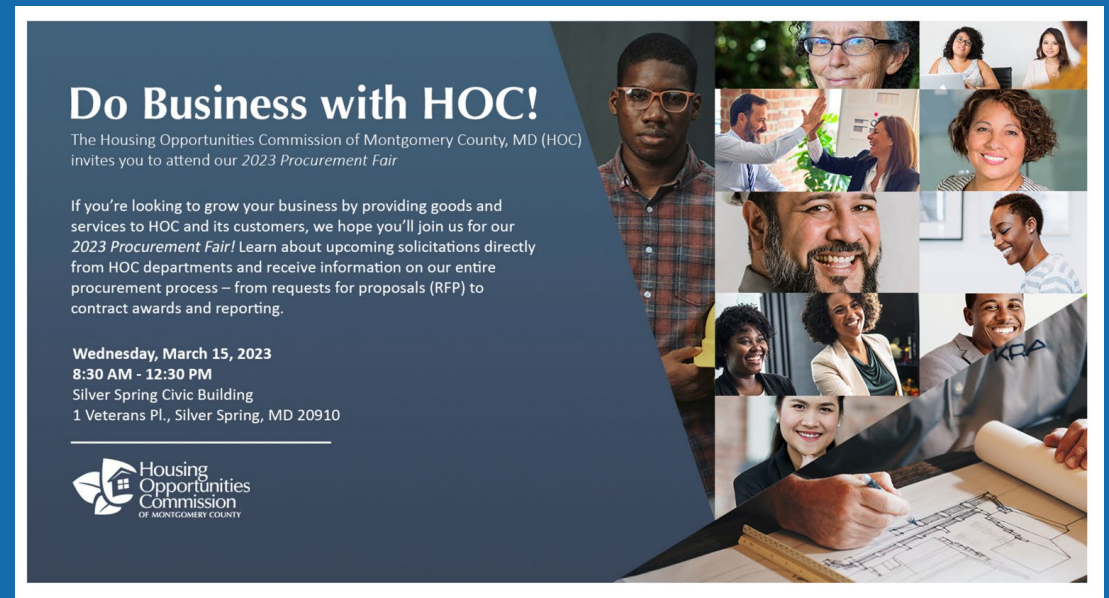
HOC will host a 2023 Procurement Fair to increase the number of vendors interested in doing business with the agency

Wednesday, March 15, 2023

8:30 AM - 12:30 PM

Silver Spring Civic Building


1 Veterans Pl., Silver Spring, MD 20910



Do Business with HOC!
The Housing Opportunities Commission of Montgomery County, MD (HOC) invites you to attend our *2023 Procurement Fair*

If you're looking to grow your business by providing goods and services to HOC and its customers, we hope you'll join us for our *2023 Procurement Fair*! Learn about upcoming solicitations directly from HOC departments and receive information on our entire procurement process – from requests for proposals (RFP) to contract awards and reporting.

Wednesday, March 15, 2023
8:30 AM - 12:30 PM
Silver Spring Civic Building
1 Veterans Pl., Silver Spring, MD 20910



SPOTLIGHT ON HOC HIGH-PROFILE PRESENTATIONS

- Following are excerpts from HOC's presentations on:
 - The State of Rental Affordability in Montgomery County
 - An Update on the Housing Production Fund
 - Homeownership Equity and Affordability in Montgomery County
 - A proposal for an Impact Preservation Fund to fund acquisition of Naturally Occurring Affordable Housing (NOAH)
- On March 20th, HOC will return to the Council to present an overview of the Housing Choice Voucher program





State of Rental Housing Affordability in Montgomery County

An HOC Overview

Chelsea Andrews
Executive Director

Zachary Marks
Chief Real Estate Officer

Presentation to the Planning, Housing and
Parks Committee

January 30, 2023



ABOUT HOC

Public Housing Authority

- Rental assistance programs
- Resident services like financial & credit counseling, Family Self Sufficiency program, Fatherhood Initiative
- Permanent supportive housing for veterans, individuals with disabilities, individuals experiencing homelessness
- Youth and adult workforce and business development services through affiliated non-profit Housing Opportunities Community Partners

Housing Finance Agency

- Governmental, Private Activity, 501(c)3, and Taxable Bonds (Rated A2 by Moody's)
- Multifamily financing: \$560m through 2023
- Single family financing: \$30-40m of low-cost mortgages and \$2.5m in closing cost assistance for moderate-income families annually

HOC

Seven Commissioners
Appointed by CE &
Confirmed by Council

Owner & Operator

- 8,881 units owned or managed
 - Multifamily: 5,843 units
 - Scattered sites: 1,595 units
 - Senior housing: 1,443 units

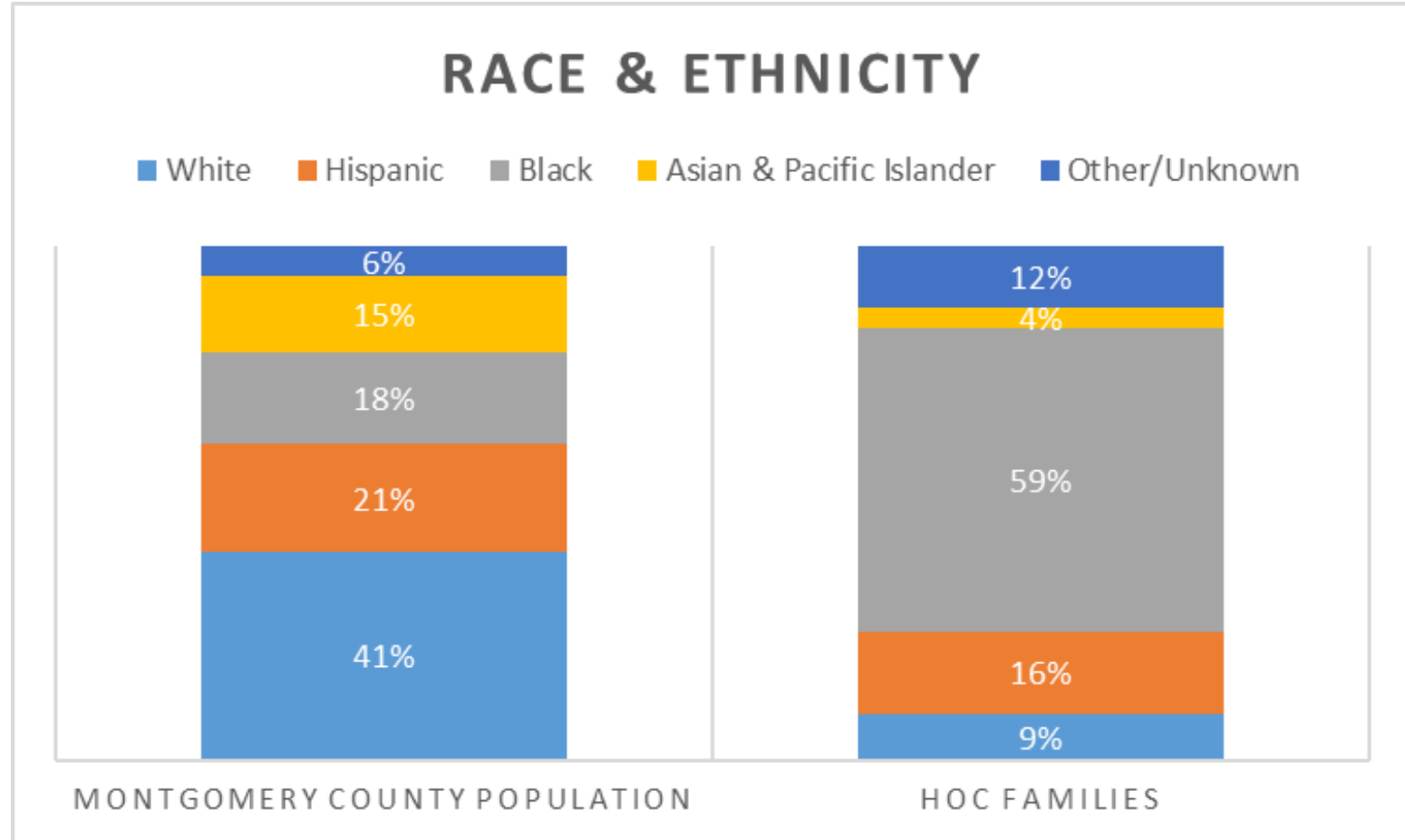
Public Developer

- HOC currently has 13 construction and major renovations in design, predevelopment or under construction
- 3,270 total units, 1,812 affordable
- \$894 million total construction cost



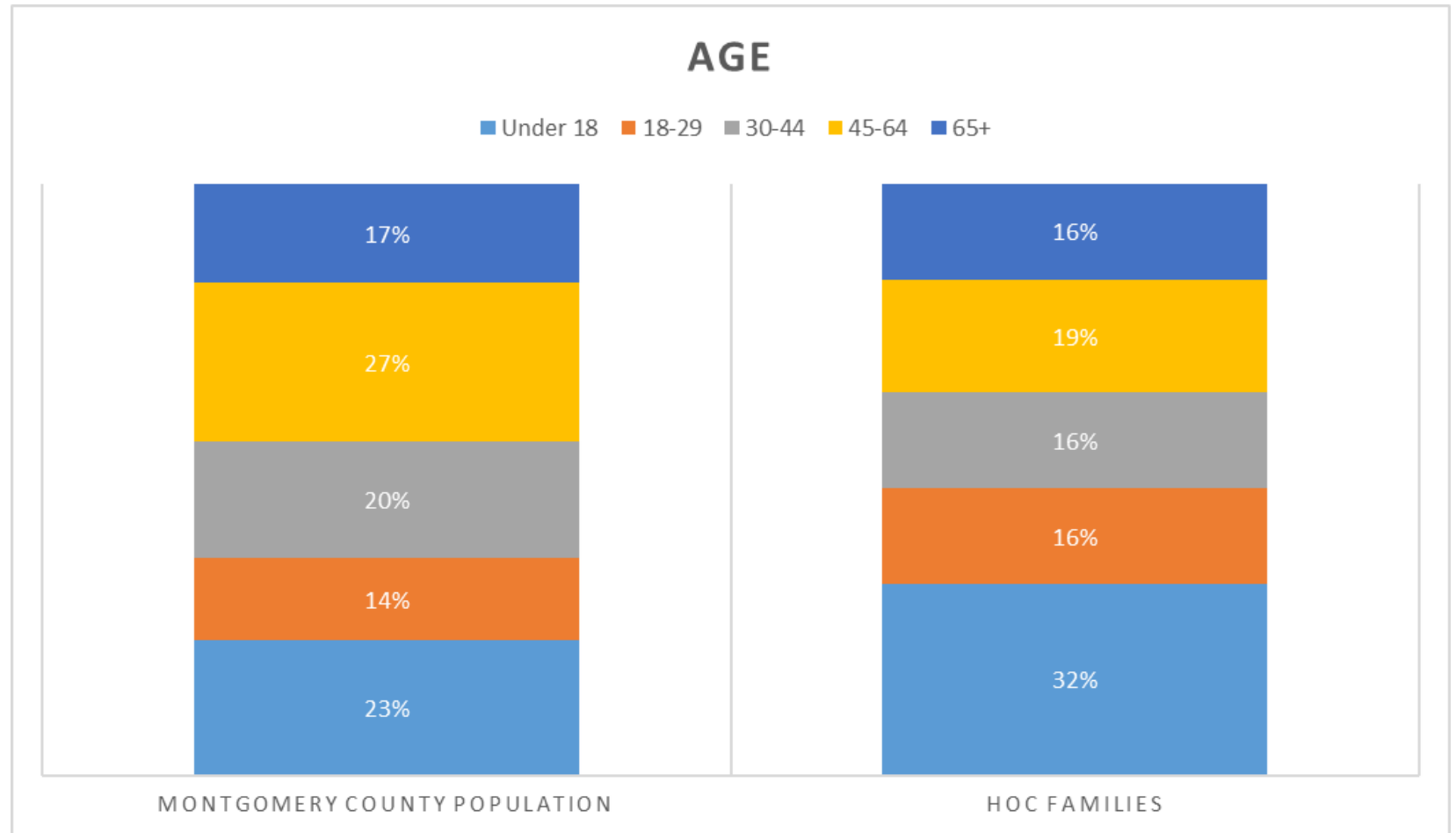
HOC Demographics

HOC Demographics



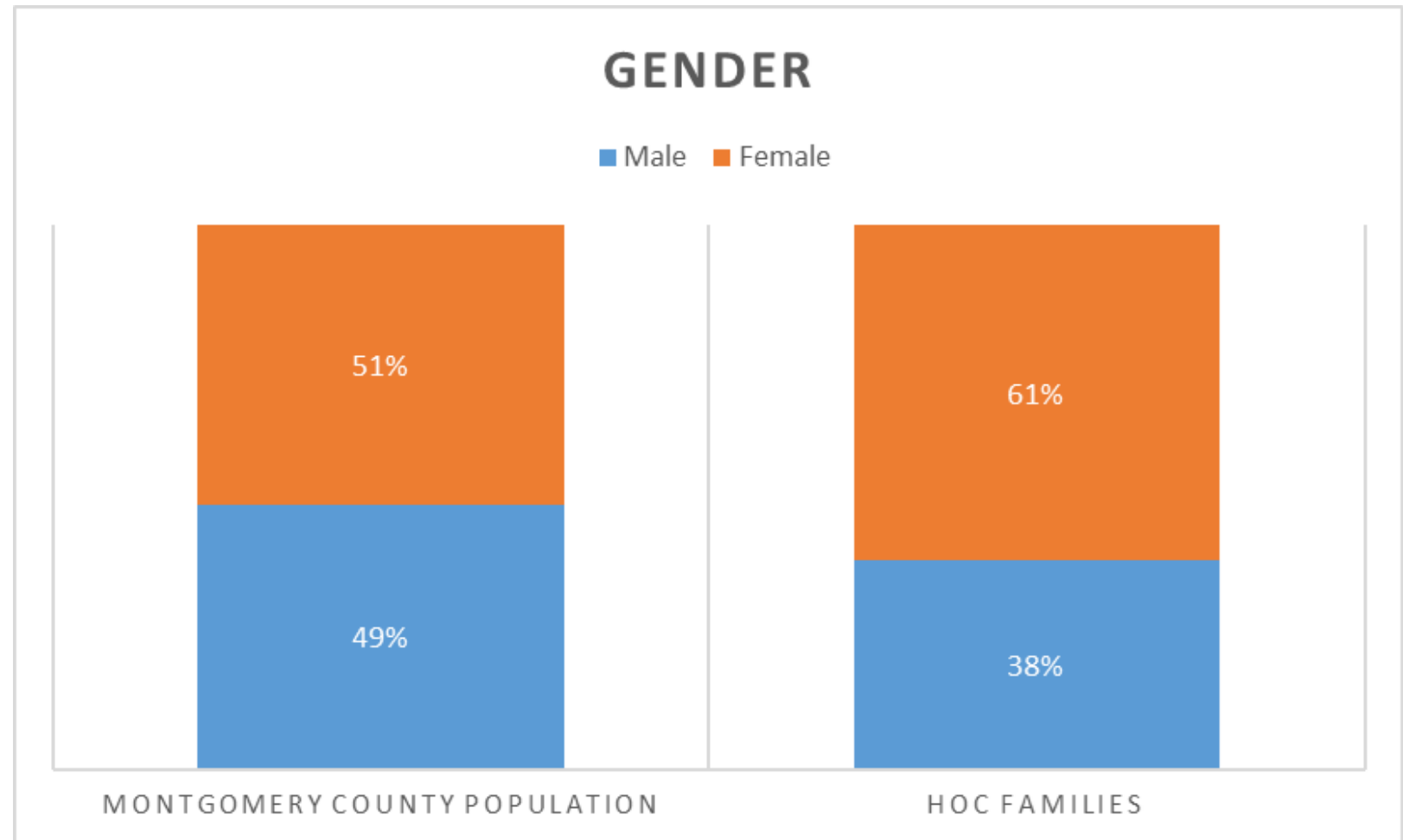
Source: HOC internal data as of 1/26/23; Montgomery Planning/American Community Survey 2021.

HOC Demographics



Source: HOC internal data as of 1/26/23; Montgomery Planning/American Community Survey 2021.

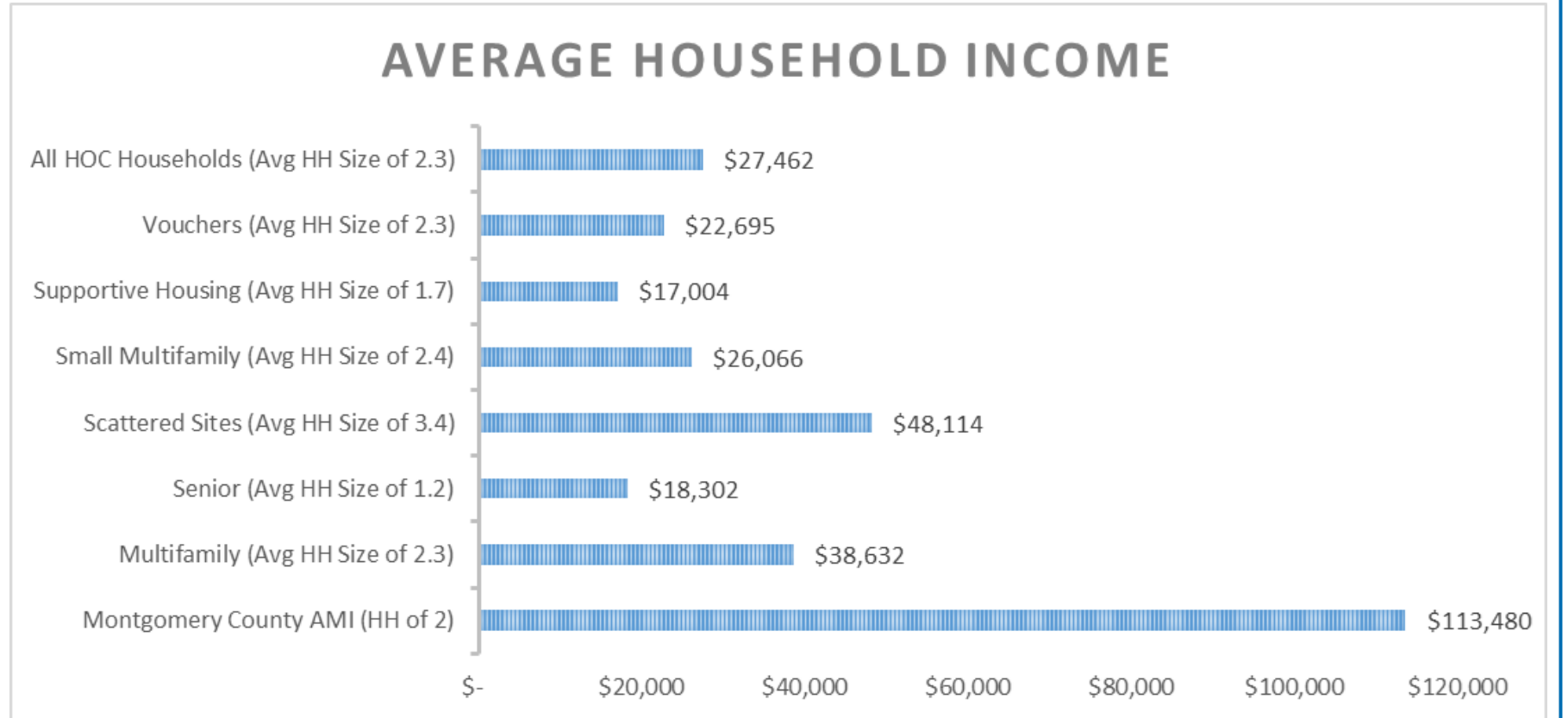
HOC Demographics



Source: HOC internal data as of 1/26/23; Montgomery Planning/American Community Survey 2021.

HOC serves 33,704 residents in 14,620 households

HOC Demographics



Source: HOC internal data as of 1/26/23; DHCA MPDU Guidelines. HOC averages do not include market-rate residents.



Rental Assistance Programs

Rental Assistance Programs

HOC currently serves 8,388 households with rental assistance

- 7,702 Housing Choice Vouchers (97% utilization) + 803 incoming clients from other jurisdictions, 110 Mainstream Vouchers and 92 Emergency Housing Vouchers
- 34% of voucher holders are elderly (62+) and 32% are disabled
- Average subsidy is \$1,267; average tenant payment for rent and utilities is \$518

Current waitlist is 36,676 applicants for all programs - 27,519 for vouchers

- Average time to get a voucher is 6.5 years
- Emergency Housing Vouchers serve families who are homeless, at risk of homelessness, fleeing or attempting to flee domestic violence, human trafficking, sexual assault or stalking. These families are referred by DHHS. These vouchers may not be re-issued after September 30, 2023

19% of voucher holders are still rent burdened

- Rent burdened families pay more than 30% of income
- Average rent-burdened voucher-holder pays 46% of their income on rent
- Based on the high-cost of living in Montgomery County, HOC recently obtained HUD approval to increase our Voucher Payment Standard to 112% of the published Fair Market Rents. On average, rents still exceed the voucher payment standards by \$193



Progress Update on the Housing Production Fund

Chelsea Andrews
Executive Director

Kayrine Brown
Deputy Executive Director

Zachary Marks
Chief Real Estate Officer

Presentation to the Planning, Housing and
Parks Committee

February 6, 2023

Housing Production Fund

Overview

\$100 million revolving fund

- Two tranches
 - First \$50 million approved by Council in Spring 2021
 - Second \$50 million tranche approved in Spring 2022
- County pays debt service for 20-year term of the bonds using HIF funds

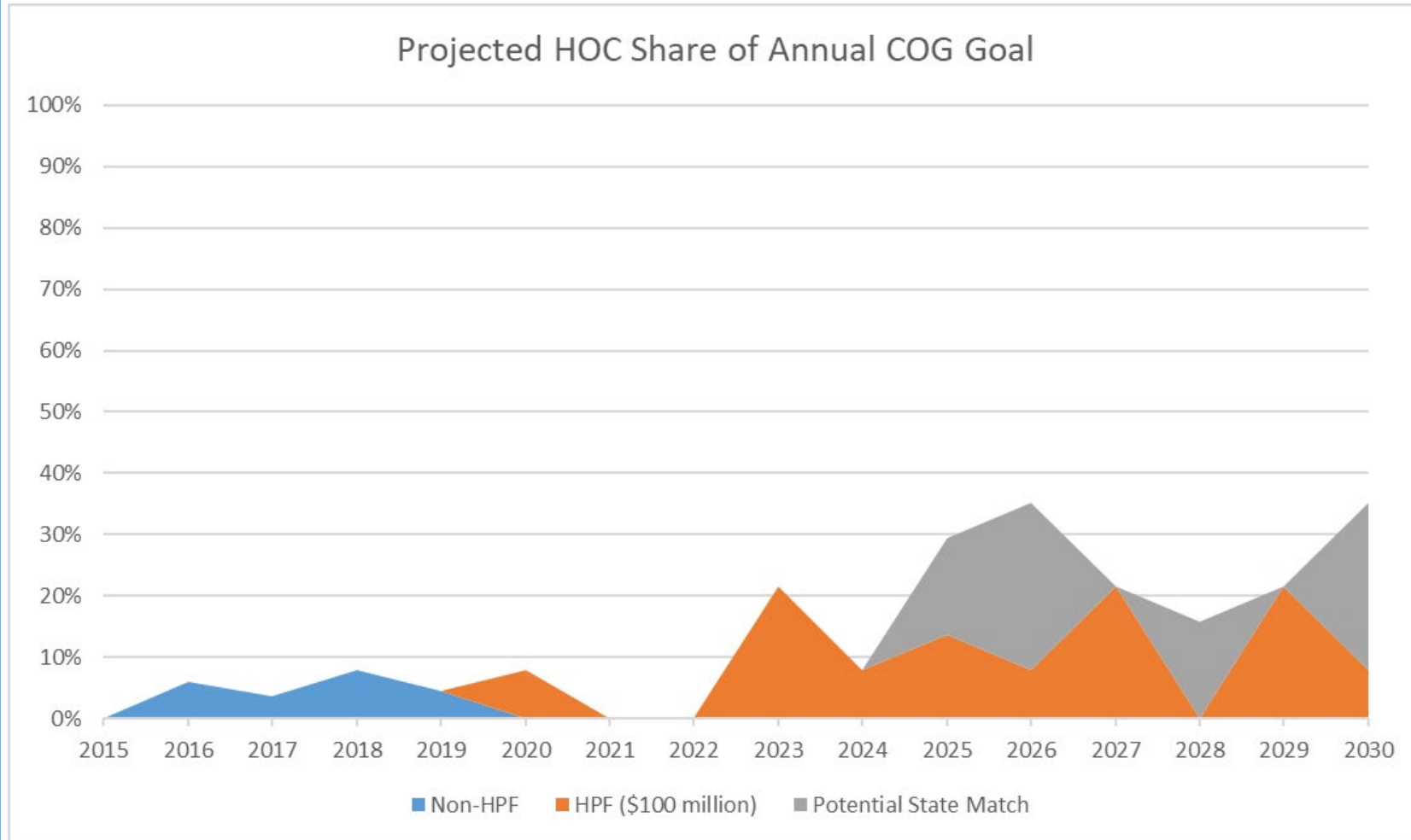
Low-cost construction financing for new affordable housing

- HPF provides 5-year construction loans
 - During five-year period, project interest is paid to County to help offset cost of bonds.
 - Project interest rate is 5% and generates \$2.5MM annually per \$50MM.
 - After 5 years, completed project repays HPF principal.

Up to 6,000 new housing units over 20 years, 1,800 affordable

- On average, each 5-year rotation of \$100 million will yield about 1,500 units
- 20% of units must be affordable at 50% AMI + 10% of units must be affordable at MPDU level
- Must be owned or controlled by HOC, follow Voluntary Rent Guideline

Contribution to COG Goals



- Based on current and pipeline projects and available funding, HOC is currently projected to produce 11% of the County’s COG goal for new housing production between 2020 and 2030 - in some years producing as much 20% of the goal.
- If a 1:1 matching fund were available, HOC could produce almost 20% of the ten-year goal, exceeding 30% of the annual goal in some years.
- HOC’s non-HPF activity is now focused on renovating nearly 800 units of existing family and senior affordable housing throughout Montgomery County totaling approximately \$74.5m in hard cost reinvestment.

Benefits of Public Ownership

Stability for Tenants

- HOC takes every possible step to ensure families can remain housed if they experience financial hardship
- HOC rent increases follow the Voluntary Rent Guidelines (or lower), including for market rent tenants

Provision of Services

- HOC ownership ensures that HOC can provide direct services to residents, as well work with partner agencies and organizations to ensure access
- HOC can layer other sources of subsidy such as Housing Choice Vouchers to serve all income levels

Supporting Public Goals

- Beyond affordability, public ownership allows HOC to deliver on community goals like:
 - Environmental sustainability
 - Opportunities for colocated public facilities and services
 - Community development through retail and enhanced public spaces

Public Equity

- Through ownership, HOC captures growth in land value over time and can use that equity to reinvest and maintain its properties and build more housing over time

REVOLVING IMPACT PRESERVATION FUND

FUNDING, STRUCTURE, AND LOGISTICS



Chelsea Andrews, Executive Director

**Kayrine Brown
Zachary Marks
Gio Kaviladze**

January 26, 2023

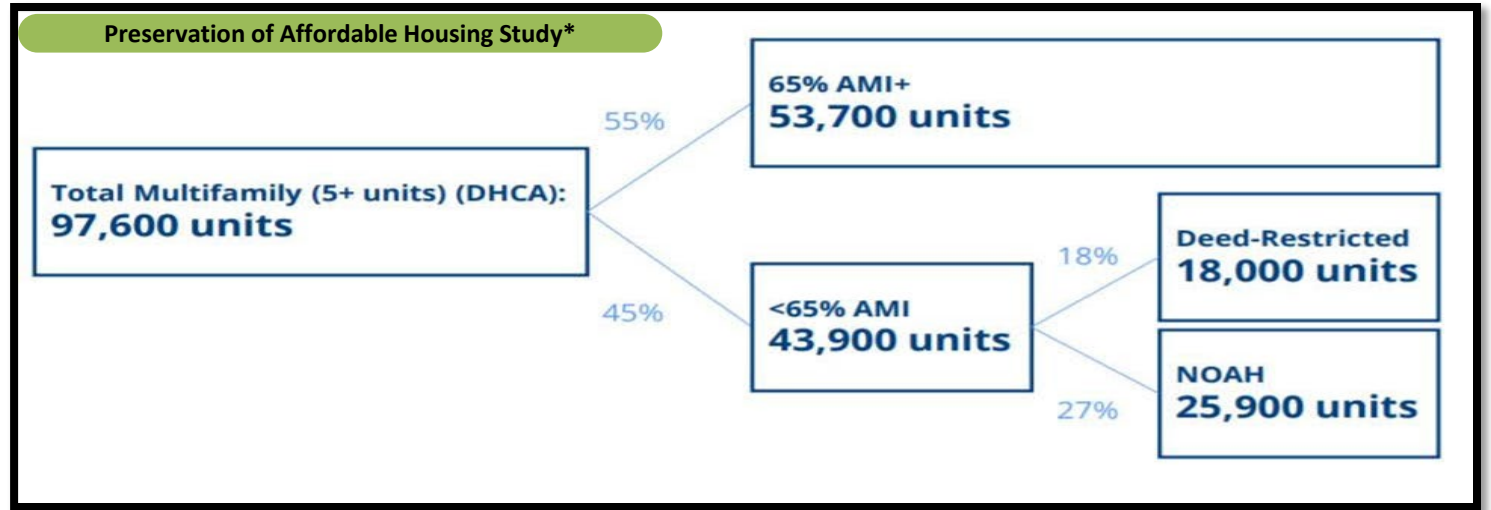


Evaluating the Preservation Need

As of July 2020...

- Approximately 80% of the County's rental stock is unrestricted.
- Of those, 45% are priced to rent at or below 65% AMI.
- Nearly 26,000 (60%) of units below 65% AMI are unrestricted (NOAH).

By 2030, between 7,000-11,000 of these 26,000 NOAH units will be lost.



*Commissioned by the Montgomery County Planning Department

Systematic preservation of NOAH must be combined priority for HOC, NPOs, and County.



Range of NOAH Price per Unit
Recent NOAH Preservation Closings \$236,000

Range of Total Acquisition Costs*
Recent NOAH Preservation Closings \$1.7BN-\$2.6BN

All Pre-2000 Built ROFRs for 2022 \$310,000

All Pre-2000 Built ROFRs for 2022 \$2.1BN-\$3.4BN

*Excludes closing costs.

Executive Summary

Proposed \$2.5BN Acquisitions Target

County Support

Provides funding in support of \$100MM in first-loss equity available to non-profits and HOC.

Private Investment

County support will attract private investment of up to \$400MM.

Non-profit/HOC Control

Non-profits and HOC will combine \$500MM investment with senior loans toward \$2.5BN in preservation.

The \$2.5BN target will preserve 8,000-10,600 units.

Phased Roll-out of County Support

Funding Flexibility

Options to repurpose cash funding and switch to bond issuance in better rate environment.

Proof of Concept

Excellent potential for first-year success to support next County phases, stronger private interest.

Prep for Higher Volume

Allow non-profits and HOC to ensure staffing sufficient and process efficient.

Proposed phases are annual over four years.

Resident Benefits During Acquisition Period

Income Restrictions

Aff. at 20% @ 50% AMI, 10% @ 70% AMI, & no net loss on redevelopment (i.e., 70% @ 80% AMI).

Rent Increase Protections

All units at all properties acquired will comply with the County's Voluntary Rent Guideline.

Introduction of Services

Ownership of properties will allow non-profits and HOC to bring in resident services teams.

Restrictions are phased in without displacement over about a year.

Executive Summary

Highly Efficient

- For a maximum \$10.0MM¹ in annual appropriated funds over 20 years², Montgomery County creates a permanent, revolving \$100MM Impact Preservation Fund (“IPF”) that:

Creates a NOAH acquisition tool sufficiently sized to meet the need

Becomes permanent after 20 years of appropriations

Revolves every 7 years making funding available for preservation into the future

Allows non-profits and HOC to confidently pursue NOAH preservation at scale

Uses the model of existing revolving Housing Production Fund

Yields an average of at least 50 new 50% AMI units per transaction

Self Sufficient

- Without the IPF, the acquisition of NOAH units at this scale would require nearly four year’s worth of annual HIF funding. With the IPF, no further HIF funding is needed for these preservation transactions. So, the IPF *increases* the availability of the HIF for other projects.

Ready to Execute

- The IPF structure is fully and immediately executable. With the Housing Production fund, bonds were issued within 90 days of the effective date of the fiscal year budget.

Scalably Designed

- The IPF will fund the preservation of roughly 30,000 units over the 20-year life of the bonds.
- Non-profits and HOC have existing preservation platforms, which are simply augmented to meet the increased transactional volume.
- The IPF can easily be increased by additional appropriations and bond issuance.

¹ This cost assumes the creation of \$100M fund entirely through bonds issued up front at present interest rates.

² If annual project interest paid is sent back to the County (as described later in this presentation), the annual net cost to the County would be \$8.0MM.



Homeownership Equity and Affordability in Montgomery County

Overview of HOC Programs

Chelsea Andrews
Executive Director

Jennifer Hines Washington
Assistant Director of Bond Management

Presentation to the Planning, Housing and
Parks Committee

March 6, 2023



Mortgage Purchase Program ("MPP")

	First Mortgage Products	Down Payment Assistance and Closing Cost Assistance		
Loan Product Types	FHA and Conventional Financing Available	HOC Purchase Assistance	Montgomery County Revolving Closing Cost Assistance	Montgomery County Homeownership Assistance Fund
Program Details	<ul style="list-style-type: none"> • 30-year fixed rate • Zero Points • Two First Trust options • Loan to Value ("LTV") up to 97% 	<ul style="list-style-type: none"> • 3% of sales price • 0% per annum • Secured 5 year deferred loan. If you stay in the property for 5 years the loan is forgiven. 	<ul style="list-style-type: none"> • 5% of sales price • Maximum of \$10,000 • 5% interest rate • Amortized over 10 years 	<ul style="list-style-type: none"> • Funded at \$1.5 million in FY23 • 10-year deferred loan • Pro rata portion due upon sale during first 10 years. • The loan is forgiven after 10 years.
Restrictions	<ul style="list-style-type: none"> • Income and Sales Price Limits • Credit score of 640; 620 for Crossroads 	<ul style="list-style-type: none"> • Must use with MPP First Mortgage products 	<ul style="list-style-type: none"> • Must use with MPP First Mortgage products • Must be employed in Montgomery County 	<ul style="list-style-type: none"> • Loan of up to 40% of qualifying income to maximum of \$25,000.



Homeownership Programs for HOC Customers

Financial Literacy & Homeownership Education

- HOC's Resident Services Division offers financial literacy services to its customers and individuals on its waitlist, provided via group workshops and one-on-one coaching. The goals of these services is to:
 - help individuals better manage their finances;
 - improve their credit scores;
 - enhance their chances of obtaining and maintaining their housing; and
 - assist them in achieving homeownership.
- HOC's Single Family Office offers Homeownership workshops for HOC residents, including:
 - credit counseling,
 - budgeting and management of finances,
 - the mortgage application process,
 - obtaining financing,
 - the role of realtors,
 - and an overview of the various mortgage loan products offered by HOC's Mortgage Purchase Program.

Family Self Sufficiency Program

- The Family Self-Sufficiency Program is a congressionally authorized program through HUD administered in Montgomery County by HOC, in coordination with community partners.
- Residents receiving vouchers or living in HUD-financed housing are eligible to participate.
- The Program is designed to help families build wealth by providing direct financial assistance, savings accounts, employment assistance, financial and homeownership education, career training and assistance, educational opportunities, and more.
- Participating families are provided with an interest bearing escrow account made up of the difference of the rent the family pays when entering the program and the increased rent they would be charged as the families earned income increases.

HOC Homeownership Program

“HOC/HOP”

- **HOC/HOP Housing Choice Voucher Program**
 - This program allows voucher holders to use Housing Choice Vouchers to pay mortgage and other homeownership expenses.
 - Applicants must have graduated from or participated in the Family Self-Sufficiency Program for at least two years in order to be eligible for this program.
- **HOC/HOP Moderately Priced Dwelling Unit (MPDU) Program**
 - Certain MPDUs are reserved for purchase by HOC residents and purchased directly from the builder by the matched HOC/HOP participant.
 - Open to all residents in HOC-owned or affiliate developments with an income of \$40,000/year or more.
 - HOC monitors the accepted units through settlement, if the borrower received MPP financing.
 - HOC does not currently have any HOC/HOP for sale MPDU inventory.

EXECUTIVE DIRECTOR REPORT

THE END

