Presentation and Discussion of Potential Uses of the Housing Initiative Fund (HIF)

Mayor and City Council
Work Session
July 11, 2016

I. Background and Status
Gaithersburg $3 million HIF

- Established to increase and preserve the stock of affordable housing for residents at or below 100% of Area Median Income

- Four annual payments made by developers of Crown

- Payment in lieu of constructing 48 Work Force Housing Units at Crown

Low-interest Loans to Montgomery Housing Partnership (MHP)

- Combined loans of $736,000 made in 2013 and 2014 to acquire and renovate 425 and 439 N. Frederick Avenue

- Annual cash flow interest payments (at 2%)

Gaithersburg Homebuyer Assistance Loan Program (GHALP)

- In December 2014, Mayor & City Council approved up to $400,000 in HIF for balance of FY15 (January – June 2015)

- $147,000 used to sustain program through June 30, 2015

- 43 loans issued in FY15

- Reduced loan amounts from $20,000 to $15,000

Currently Available: $2.1 million

FY17 Strategic Plan
Housing Element Key Strategies

- Utilize HIF to make strategic investments in priority projects

- Encourage and support homeownership in the City

- Support initiatives that improve the rental stock in the City

II. Options

- Loans to community developers

- Loans to residential property owners

- Grants for rental assistance

- Augmented GHALP funds

- Grants to Common Ownership Communities (COC's)

Loans to Community Developers

Loans to for-profit and/or nonprofit developers to increase the number of affordable units in a redevelopment or new construction project

- Provide financing to assist developers with meeting code requirements and other infrastructure improvements in exchange for additional affordable units

- Leverage HIF to access "social impact" equity investing

Loans to Community Developers

Examples:

- Site remediation or demolition
- Utility improvements or relocation
- Stormwater mitigation
- Accessibility upgrades

Minimum recommended for viability: $250,000

Loans to Community Developers

- Capitalize on high-value markets in and around the DC area

- Potential partners: mission-driven real estate investment trusts or social equity investors

- Allows for greater flexibility in providing mix and types of affordability (without having to meet more restrictive HUD requirements)

Loans to Property Owners

Rehabilitation loans to support:

- Interior & exterior improvements

- Energy efficiency upgrades

- Accessibility upgrades

Loans to Property Owners
Provide below-market loans to homeowners to assist with interior and exterior improvements

- Upgrades will preserve affordability by lowering ever-rising utility costs

- Partner with experienced groups such as Rebuilding Together

- Reduces the City's carbon footprint

- Increases property value throughout the City

- Self-sustaining (i.e., recycled back into the program)

Minimum recommended for program viability: $350,000

Loans to Property Owners
Accessibility Upgrades

- Gives resident seniors the option of "aging in place"

- Creates a welcoming community for disabled veterans and their families

- Provides needed assistance to a severely underserved population

- County tax credit to residential property owners who provide accessibility features to their homes

Loans to Property Owners
Energy Efficiency Upgrades

Multi-Family

- Creates long-term savings for renters with individually metered utilities
- Upgrades can improve efficiency by up to 30%

Single-Family

- Single Family: 30% Solar Investment Tax Credit has been extended
- Home energy audits required, providing owners with a comprehensive energy use assessment

Grants for Rental Assistance

Rental Assistance Program for Gaithersburg Households: Stepping in to fill the gap for vulnerable low-income households

Grants for Rental Assistance

- Market-rate affordable units at risk due to renovations made to properties, resulting in unaffordable rent increases for current residents

- Unregulated market-rate units are rented to any household regardless of income, thereby decreasing the actual stock of affordable housing for low-income residents

- Nearly 25% of Gaithersburg households pay > 50% of income to housing costs

- Support and expand existing programs

Minimum recommended for program viability: $150,000/year

# Augment Gaithersburg Homebuyer Assistance Loan Program (GHALP) Funds

Increase GHALP Loan Funds for Buyers Purchasing Outside of Low and Moderate Income Areas of the City

Augment GHALP Funds

Recommended Program Adjustments

- Institute repayment requirements

- Recommended GHALP loan maximum of $12,000, effective July 1

- Up to $25,000 for households that purchase outside of low and moderate income areas depending on location of property
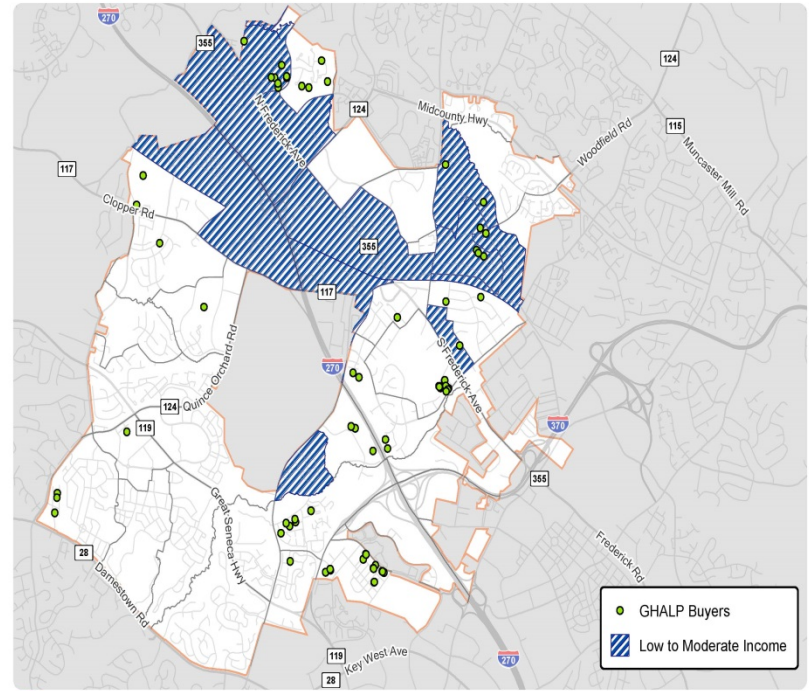
Minimum recommended for program viability: $130,000
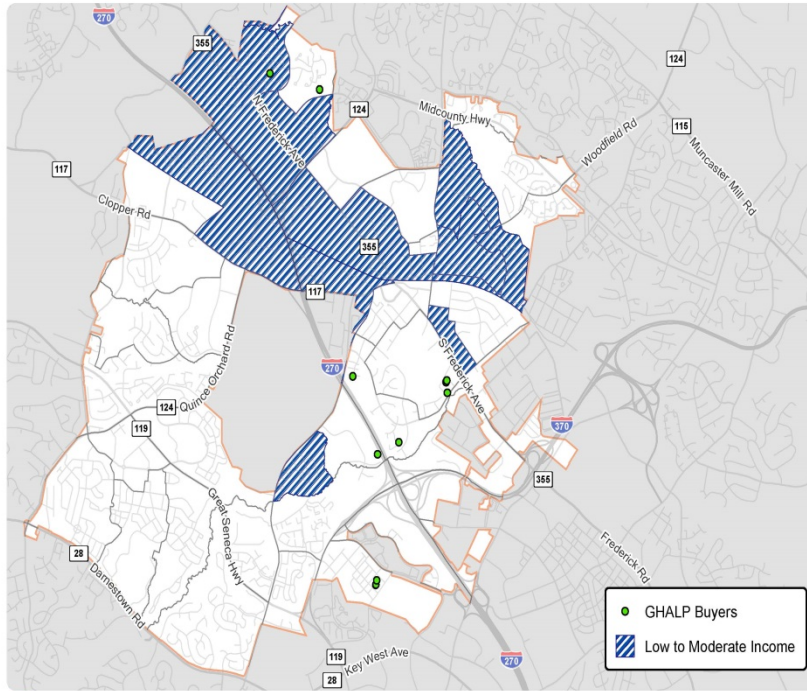
GHALP Loans FY 14

City of Gaithersburg| Housing and Community Development 31 South Summit Avenue Gaithersburg, MD 20877 | (301)-258-6320 |

7/10/2016 • Isukal

GHALP Loans FY 15 and FY 16

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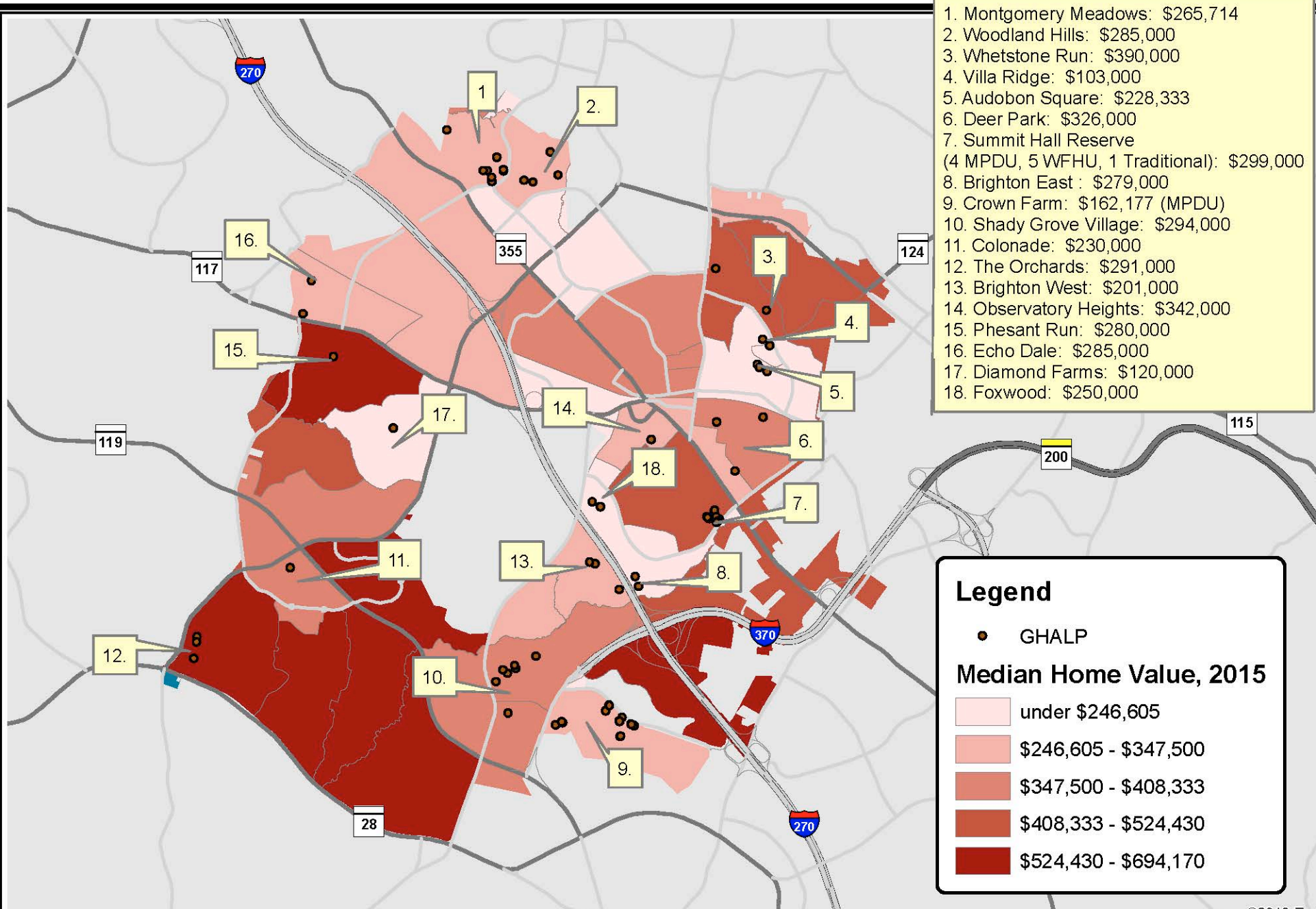
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Median Home Value

31 South Summit Ave
Gaithersburg, MD 20
(301)-258-6320
www.gaithersburgmd.

1. Montgomery Meadows: $265,714
2. Woodland Hills: $285,000
3. Whetstone Run: $390,000
4. Villa Ridge: $103,000
5. Audobon Square: $228,333
6. Deer Park: $326,000
7. Summit Hall Reserve
(4 MPDU, 5 WFHU, 1 Traditional): $299,000
8. Brighton East : $279,000
9. Crown Farm: $162,177 (MPDU)
10. Shady Grove Village: $294,000
11. Colonade: $230,000
12. The Orchards: $291,000
13. Brighton West: $201,000
14. Observatory Heights: $342,000
15. Phesant Run: $280,000
16. Echo Dale: $285,000
17. Diamond Farms: $120,000
18. Foxwood: $250,000

MD State Plane
HPGN NAD 83/91

Legend

• GHALP

Median Home Value, 2015

under $246,605
$246,605 - $347,500
$347,500 - $408,333
$408,333 - $524,430
$524,430 - $694,170

Grants to Common Ownership Communities (COC's)

Increase the Number of FHA-Approved COC's

Grants to COC's
Common Ownership Communities and FHA Approval

- Approximately two thirds of COC's in the City do NOT have FHA approval

- FHA approval increases the supply of affordable homeownership, particularly for first-time homebuyers, including "millennial buyers" who need downpayment and favorable underwriting standards

- Without FHA approval, owners desiring to sell their units have a limited pool of potential buyers

Grants to COC's

What we are doing to address this issue

- Work with housing policy organizations to assist the City with researching and identifying potential solutions

- Solicit feedback from lenders to understand market implications

- Reach out to COC property managers and Boards

- Ongoing communications with staff from FHA, HUD, federal and state legislators and others

- Participate in Montgomery County committee to investigate solutions

Grants to COC's

What can we do?

- Offer small grants to Common Ownership Communities seeking FHA approval or contract for those services on behalf of COCs

- Assist individual property owners with monthly condo fees to bring them current (CDBG eligible)

- Minimum recommended for program viability: $75,000

III. Recap of Options

- Loans to community developers

- Loans to residential property owners

- Grants for rental assistance

- Augmented GHALP funds

- Grants to Common Ownership Communities (COC's)

Policy Questions/Guidance

- Should focus be on homeownership or rental properties?
- What is the importance of city-wide distribution of affordable units?
- What is the importance of improving existing properties in established neighborhoods?
- Should emphasis be on new development opportunities or redevelopment?
- What role should economic development aspects play in the use of HIF monies?

Contact Information

Martin Matsen, Planning Division Chief
mmatsen@gaithersburgmd.gov

Louise Kauffmann, Housing and Community Development Chief
lkauffmann@gaithersburgmd.gov

Lauren Sukal, Grants Administrator
lsukal@gaithersburgmd.gov