

# Affordable Housing Financing



# COUNTY RESOURCES FOR AFFORDABLE HOUSING

- Housing Initiative Fund (HIF)
- HOC Housing Production Fund (HPF)
- Affordable Housing Opportunity Fund
- Nonprofit Preservation Fund
- Property Tax Abatements (aka PILOTs)

# Housing Initiative Fund (HIF)

- The Housing Initiative Fund (HIF) is the County's Housing Trust Fund
- Created in 1989
- Funds come from revenue bonds issued, recordation tax premium, general fund transfer, federal dollars and loan repayments
- Provides below market loans for projects, generally about 2.0%
- Provides long term financing for projects (i.e. 30 years)
- On average, the County provides \$64,000 for each dedicated unit of AH

# Affordable Housing Opportunity Fund

- Launched in March 2022
- Provides short term financing (3 years) to acquire properties at risk of loss of affordability
- Leverages ~\$3 in private funding for every \$1 of County funding
- County has provided \$14 million to date
- Funds are recycled to support other projects
- Managed by outside organization (National Housing Trust)

# HOCMC Housing Production Fund

- In 2021, the County Council approved a \$50 million bond for HOCMC to establish a dedicated financing tool for HOC projects
- In 2022, the County Council approved an additional \$50 million bond to the HPF
- The Housing Production Fund (HPF) is a revolving loan fund from which Housing Opportunities Commission (HOC) provides funds to cover:
  - project planning
  - site improvements
  - building construction loan guarantees
  - construction financing
  - short-term financing (including second trusts)
  - insurance for permanent financing, notes and bonds
  - and associated professional/financing fees for housing developments

# HOCMC Housing Production Fund

- At least 20% of units in a development financed using the HPF must be affordable to households earning 50% or less of area median income with at least another 10% of units affordable to households earning incomes eligible for the Moderately Priced Dwelling Unit program
- The County provides \$3.4 million in funding annually for the life of the bonds
- 70% of units are market-rate, 30% affordable; however, some projects achieve greater affordability
- By comparison, HIF projects tends to be 85% affordable, 15% market rate

# Nonprofit Preservation Fund

- Brand new source of funding; launched this year
- Administered by the HOCCMC
- Closely modeled after HOCCMC Housing Production Fund
- Provides medium term financing (i.e. 8-10 years) for projects
- More meant to facilitate acquisition of properties than renovations
- \$40 million earmarked for program

# Payment in Lieu of Taxes (PILOT)

- Payment in lieu of taxes, or PILOTS, reduce or eliminate property taxes for a property
- County Council updated the County's PILOT policies in 2021
- PILOTS give certainty to affordable housing developers when acquiring a property
- Helps AH providers compete with market-rate developers for desirable properties
- Reduces the amount of financing that is needed to acquire a property
- If 50% of a property's units are reserved for HHs making less than 60% AMI, the owner receives a 100% abatement of their property taxes



# Rental Housing Works

- Maryland program that provides gap financing to affordable housing projects
- Projects can request \$2.5 Million for up to fifty (50) units. An additional \$50K can be requested for each additional unit over fifty (50), up to a maximum of \$3.5 million
- Usually paired with Low-income housing tax credits
- Interest rate the same as what is provided by local jurisdiction
- Next year, RHW will have a budget of \$110...FOR THE WHOLE STATE!

# EXAMPLE RENTAL PROJECT

Freddie Loan	\$6,272,000
RHW	\$2,500,000
Sponsor Loan	\$400,000
Montgomery County Loan HIF	\$6,000,000
Tax Credit Equity	\$5,305,988
Developer Loan/Deferred Fee	\$281,835
Deferred fee for rental loss payment	\$156,000
Interim Income	\$75,000
Total Funding Sources	\$20,990,823