

# Housing Initiative Fund (HIF)

Presentation to the County Council in reference to:

Amending Bill No. 19-12 The “Allocation of Recordation Tax Proceeds to the Housing Initiative Fund for the Facilitation of Affordable Housing in Frederick County”

Winchester Hall – First Floor Hearing Room

Tuesday, August 27, 2019

7:00pm

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Department of Housing and Community Development

## **HIF Policy Objectives**

As stated in the Housing Initiative Fund Policy, Frederick County is committed to:

- Fostering the development of public and private partnerships for the production of affordable housing;
- Enhancing and creating housing for very-low, low-, and moderate-income residents;
- Promoting mixed income communities through the creation and equitable distribution of affordable housing units;
- Preserving housing that could be lost from the affordable housing stock;
- Renovating affordable distressed properties; and
- Fulfilling a critical housing need in Frederick County.

## **Department's Mission Relating to HIF**

The department's mission is to invest HIF funds in the production and preservation of affordable housing and to stimulate economic development opportunities that revitalize underserved communities within the County. In keeping with HIF policies, the department's job is to increase the number of housing related loans and grants made within the County, and to seek matching funds from the State and other funding sources to assist in that effort.

## **HIF Can Only be Spent on the Following Programs and Activities**

- Homebuyer Assistance Program Loans (down payment and closing cost assistance);
- Deferred Loan Program (multifamily development loans);
- Emergency Rehabilitation Loans (weatherization, roof and window replacements);
- Senior Housing Rehabilitation Grants (accessibility improvements, weatherization, roof and window replacements);
- Emergency Shelter Grants (homeless prevention and cold weather shelter programs);
- Grants for Affordable Housing (capital improvements, weatherization and environmental hazard removal); and
- Increasing public awareness of housing programs (annual Housing Fair and community events).

## **HIF's Primary Client Base**

- Homebuyers earning from \$23,772 (single individual) to \$77,600 (family of four);
- Housing rehabilitation homeowners earning less than \$58,600 (family of four);
- Workforce renters earning from \$34,000 (single individual) to \$66,100 (family of four);
- Nonprofit Organizations serving homeless populations; and
- Housing providers requiring assistance with environmental hazard removal, weatherization, mechanical system upgrades and related capital improvements.

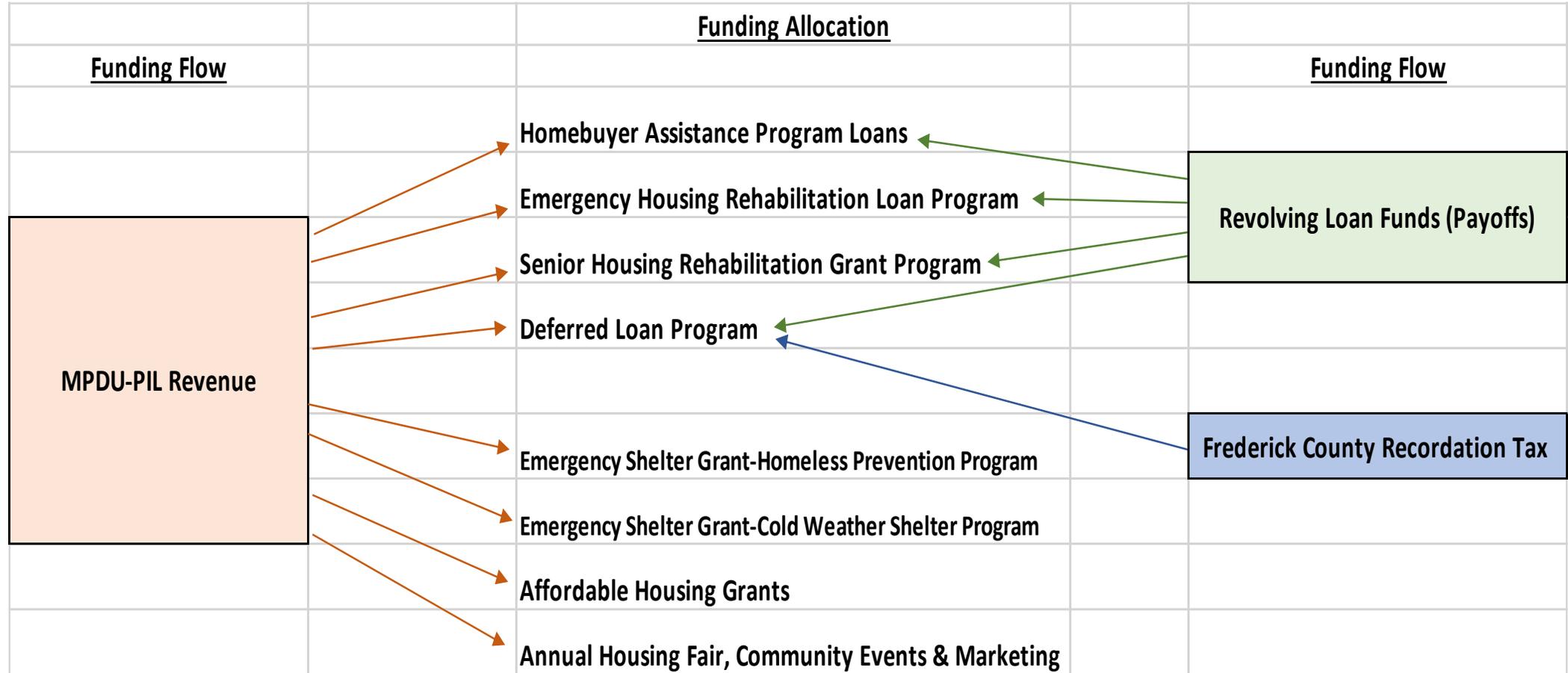
## **HIF Flow of Funds**

The HIF is currently funded with revenue from:

- Moderately Priced Dwelling Unit Payment in Lieu fees (MPDU-PIL);
- Revolving loan fund payoffs from the Homebuyer Assistance Program, Emergency Rehabilitation Loan Programs, and the Deferred Loan Program; and
- The initial allocation of FY19 and FY20 Recordation Tax proceeds.

Provided the legislation before you is approved, Recordation Tax proceeds would flow into the HIF annually.

# HIF Funding Allocation



## **HIF Revenue — FY15 through FY19**

- The total amount of MPDU-PIL funds deposited in the HIF for the past five years amounts to \$9.5 million, or an average annual amount of approximately \$1.9 million;
- The total amount of loan payoffs from revolving loans returned to HIF during the past five years amounted to \$706,777, or an average annual amount of \$141,000; and
- FY19 Recordation Tax Proceeds allocated to HIF DLP amounted to \$529,000.

## HIF Expenditures — FY15 through FY19 by Program and Activity

Funded Programs and Activities	FY19		FY18		FY17		FY16		FY15		TOTAL	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
Homebuyer Assistance Program Loans	83	\$697,200	83	\$485,600	86	\$467,700	47	\$265,000	34	\$179,000	333	\$2,094,500
Emergency Rehabilitation Loan Program	8	\$85,766	8	\$85,423	10	\$62,292	3	\$23,456	2	\$5,667	31	\$262,604
Senior Rehabilitation Grant Program	14	\$114,188	13	\$108,437	8	\$82,381	5	\$48,345	N/A	N/A	40	\$353,351
Deferred Loan Program	296	\$1,500,000	4	\$95,000	59	\$700,000	0	\$0	134	\$142,207	493	\$2,437,207
Emergency Shelter Grant-Homeless Prevention Prog.	119	\$50,000	118	\$50,000	94	\$50,000	37	\$50,000	N/A	N/A	368	\$200,000
Emergency Shelter Grant-Cold Weather Shelter Prog.	204	\$112,500	293	\$112,500	253	\$112,500	230	\$112,500	244	\$112,500	1224	\$562,500
Annual Housing Fair, Community Events and Marketing	N/A	\$4,871	N/A	\$8,007	N/A	\$1,116	N/A	\$92,534	N/A	N/A	N/A	\$106,529
Community Partnership Grant (CPG)	N/A	N/A	N/A	N/A	758	\$200,000	N/A	N/A	N/A	N/A	758	\$200,000
Family Shelter Program	N/A	N/A	N/A	N/A	N/A	N/A	67	\$22,000	27	\$22,000	94	\$44,000
Rebuilding Together	N/A	N/A	N/A	N/A	N/A	N/A	9	\$50,000	16	\$25,000	25	\$75,000
	<b>724</b>	<b>\$2,564,525</b>	<b>519</b>	<b>\$944,967</b>	<b>1268</b>	<b>\$1,675,989</b>	<b>398</b>	<b>\$663,835</b>	<b>457</b>	<b>\$486,374</b>	<b>3,366</b>	<b>\$6,335,691</b>

Five year average: 673 gross housing units annually

## **HIF Available Balance**

As of July 31, 2019, the HIF available balance consists of MPDU-PIL fee revenue of **\$2,112,397**. It does not include revolving loan payoffs because the revenue cannot be recognized until it is received. Of the \$2,112,397, the following represents the HIF's short-term funding position:

FY20 Deferred Loan Program Budget: \$1,042,490 (includes \$581,490 of Recordation Tax proceeds)

FY20 Deferred Loan Program Demand: \$1,650,000

FY20 Deferred Loan Program Budget Gap: \$607,510

- **\$607,510** is slated to be transferred from the HIF to the Deferred Loan Program to fund Ox Fibre and South Street Center multifamily development loans.

Had all six Frederick County workforce housing developments (representing \$4.8 million of funding requests) been approved by the State, the Deferred Loan Program budget gap would have increased from \$607,510 to \$5.4 million.

## **HIF Available Balance**

FY20 Homebuyer Assistance Program Budget: \$588,000

FY20 Homebuyer Assistance Program Demand: \$788,000

FY20 Homebuyer Assistance Program Budget Gap: \$200,000

- **\$200,000** is slated to be transferred from the HIF to the Homebuyer Assistance Program in order to fund home purchase assistance loans. However, of the \$588,000 budgeted in FY20, approximately \$194,000 remains available for the next 10 months.

To ensure the department could fund homebuyer demand over the 10 months remaining in FY20, it applied for and received \$400,000 in Community Development Block Grant funds (CDBG funds) to bridge the budget gap. To offset its FY18 budget gap, the department received \$250,000 of CDBG funds. These funds were fully expended within four months. While CDBG funding request efforts proved successful in FY18 and FY20, there is no guarantee the department will receive this funding on a continual basis.

**FY21 HIF Projected Budget Request of \$2,627,500 is comprised of:**

- \$700,000 Homebuyer Assistance Program;
- \$100,000 Emergency Rehabilitation Loan Program;
- \$150,000 Senior Rehabilitation Grant Program;
- \$1,500,000 Deferred Loan Program (tentative pending State funding awards in August 2020);
- \$50,000 Homeless Prevention Grant;
- \$112,500 Cold Weather Shelter Grant; and
- \$15,000 Annual Housing Fair and Community Events

A minimum of \$2,627,500 in funding is needed during FY21 to fund HIF programs and activities.

**FY20 and FY21 Budget Snapshot**

The FY20 and FY21 budgets reveal a short-term funding demand of \$3,435,010 whereas the current HIF MPDU-PIL balance available for this time period amounts to \$2,112,397. This represents an immediate short-term budget gap of \$1,322,613.

## **Means by which HIF Objectives are Achieved**

The department works with the Administration, the County Council, Affordable Housing Council, housing partners and stakeholders to identify and remove obstacles which limit the preservation and development of the County's housing stock. This is achieved by:

- Identifying areas of opportunity to increase the production and preservation of workforce housing;
- Improving public understanding of department's role in the production and preservation of affordable housing;
- Increasing the number of developers and investors willing to produce and preserve workforce housing within the County; and
- Enhancing our partnerships with the State; local, regional and national nonprofits; and with local, regional and national businesses looking to expand or locate their operations within the County.

## Challenges

The County's most daunting challenge is meeting the variety of deeply affordable housing needs of seniors, veterans, persons on fixed incomes, persons with disabilities and in general, people struggling to make ends meet, such as ALICE populations. The department's key forward-looking objectives are as follows:

- Bridging budget gaps to meet demand;
- Reducing cost burdens associated with rental and ownership housing;
- Keeping pace with housing demand based on population growth;
- Securing sufficient and reliable revenue streams to address demand; and
- Developing staff capacity to implement, manage and account for the programs and funds invested to meet these challenges.

## **Building on HIF Success**

To build on the successes of the HIF, the department will seek to:

- Streamline the way the department achieves its mission objectives;
- Enhance the County's development tool kit;
- Increase the production and preservation of quality affordable housing;
- Increase citizen awareness of and access to homeownership, rental housing and housing rehabilitation loan opportunities and services;
- Establish the administrative infrastructure necessary to achieve and sustain Entitlement Community Designation;
- Reduce renter and owner cost burdens;
- Introduce citizen support structures within multifamily housing environments;
- Reduce development costs;
- Work with new and expanding businesses to develop employer assisted rental and ownership housing programs;
- Enhance partnerships with United Way, USDA, Fannie Mae, the State and other regional and national investor organizations and lending institutions; and
- Right-size housing staff to manage and consolidate investment opportunities.

## **Conclusion**

The HIF's Deferred Loan Program and Homebuyer Assistance Program for FY20 and FY21 are under-funded by the combined amount of approximately \$1.3 million.

This fact raises grave concern as to the County's ability to meet any increased demand placed on its Emergency Rehabilitation Loan Program; Senior Rehabilitation Grant Program; Homeless Prevention Grant Program; and Cold Weather Shelter Grant Program. It is through these programs that the County addresses the housing needs of its most vulnerable citizens.

As the County's housing stock ages, physical structures deteriorate and require investment to ensure habitability. As existing and new residents demand budget-conscious rental and ownership opportunities, development funding demand for such units will also increase.

The HIF is a key economic development tool that brings new investors and taxpayers to the County along with spending power that adds value to its housing stock, supports business growth and increases the County's tax-base. If we are to achieve the vision of a Livable Frederick, we must invest in the housing stock that transforms that vision into reality. This necessitates having a predictable and reliable funding stream to support the community's essential housing programs.

It is for these reasons that we recommend the County Council approve the amendment to Bill No. 19-12.