

Housing Production Fund

Building on a Successful Rollout

PHED Committee Update
April 25, 2022

Housing Production Fund Launch

March 2021

- Council Legislation Passes

August 2021

- Governing Documents Executed

August 2021

- HOC Issues HPF Bonds

December 2021

- First HPF Project Loan Issued

December 2022

- Second HPF Project Loan to be Issued ($50MM fully expended)

Westside at Shady Grove



Opening: Early 2023

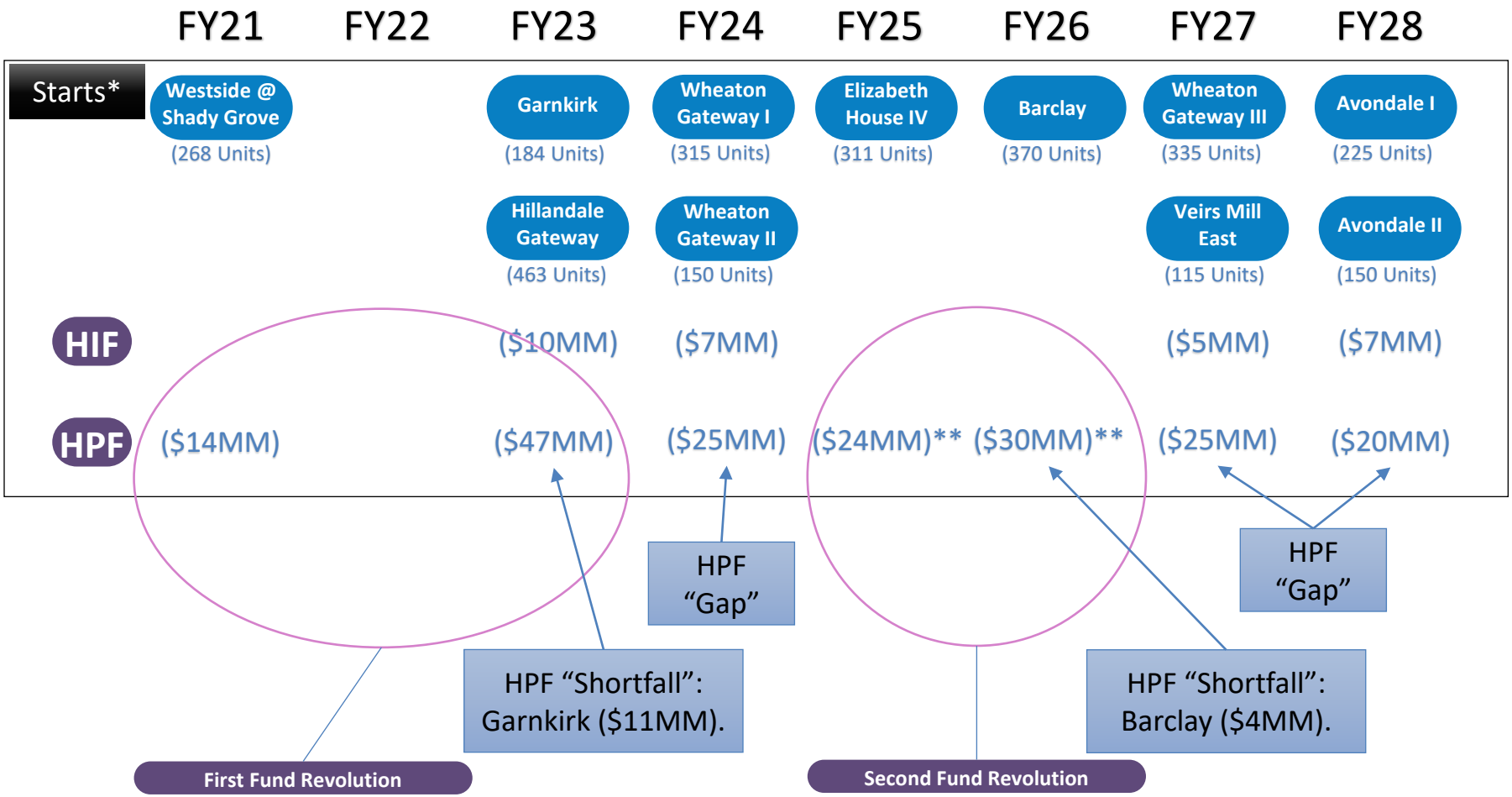
Hillandale Gateway



Opening: 2025

Housing Opportunities Commission of Montgomery County

Production: Existing HPF is Fully Subscribed



* Only showing pipeline items with Commission action to date. There are substantial additional actionable pursuits if support and resources are present.
**Requires temporary financing bridge (e.g., as was done with Westside at Shady Grove) .

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Production: Redoubling upon HPF's Successful Roll-out

Substantial opportunity remains for further investment.

Acceleration and Augmentation of HOC Pipeline

- Certain pipeline developments can be advanced to begin sooner.
- Developments "on the shelf" can be pursued with securing of new funding resources.

Private Sector Inducement

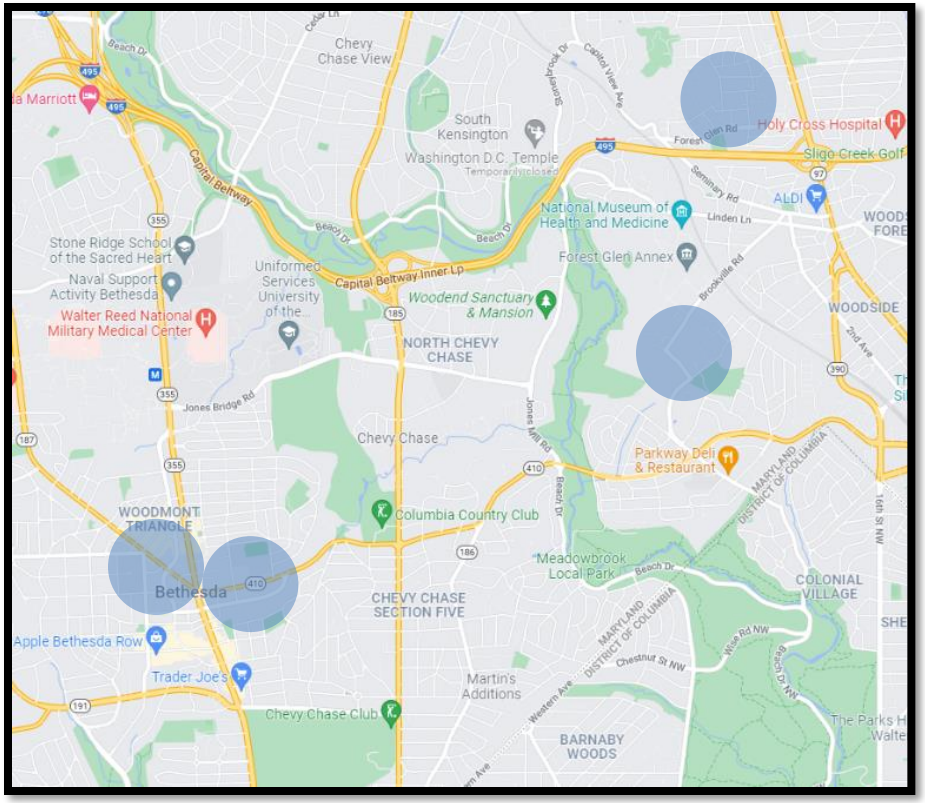
- Developers are willing to accept HOC ownership and higher affordability.
- Private developments often come fully entitled.

Coming County Activation of Parking Lots/Excess Land

- County is expected to release a list of parking lots and excess land for redevelopment.
- Many of these sites will be proximate to existing HOC assets.

TOD Development Push

- Council is encouraging development at WMATA stations (e.g., Bill 26-21) that represent significant affordable housing opportunities.
- In particular, the Council is seeking mid-/high-rise and greater affordability at these TOD locations.
- HPF is funding HOC's first attempt (Hillandale Gateway) at delivering mid-/high-rise at low-rise economies inclusive of 30% MPDUs.



Key Benefits of an HPF 2

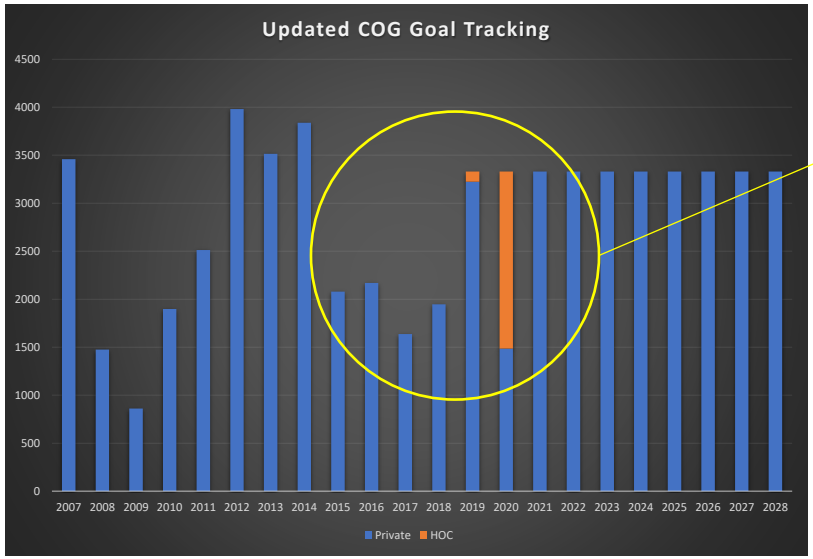
Fills HPF 1 Timing "Gaps"
HPF 1 can only really serve HOC's pipeline every 3-5 years.

Acts While Rates are Low
Interest rates continue to be historically low (but headed up).

Deploys Quickly
Governing documents between HOC and the County in place.

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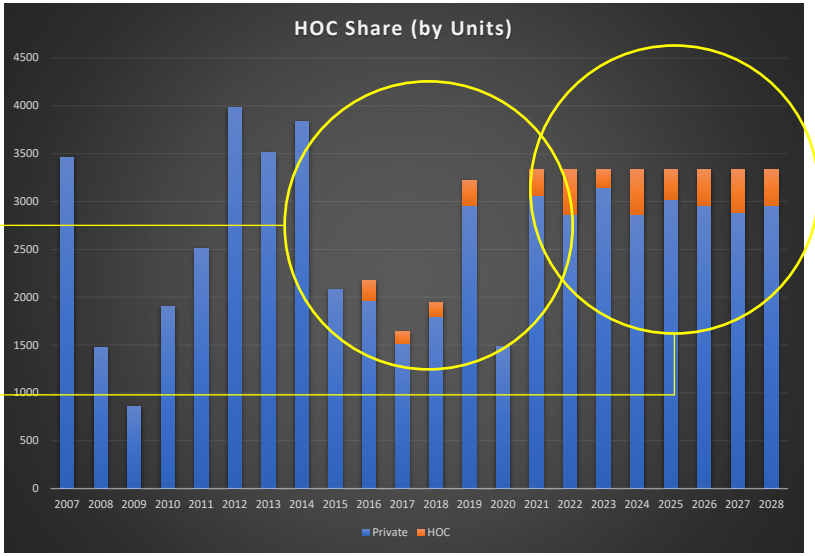
HOC as a Primary Channel



Orange section are unfulfilled units below 3,330 annual target. (Actual numbers for 2021 not yet received.)

Montgomery County is already missing COG targets.

Meanwhile, HOC has already begun to contribute.

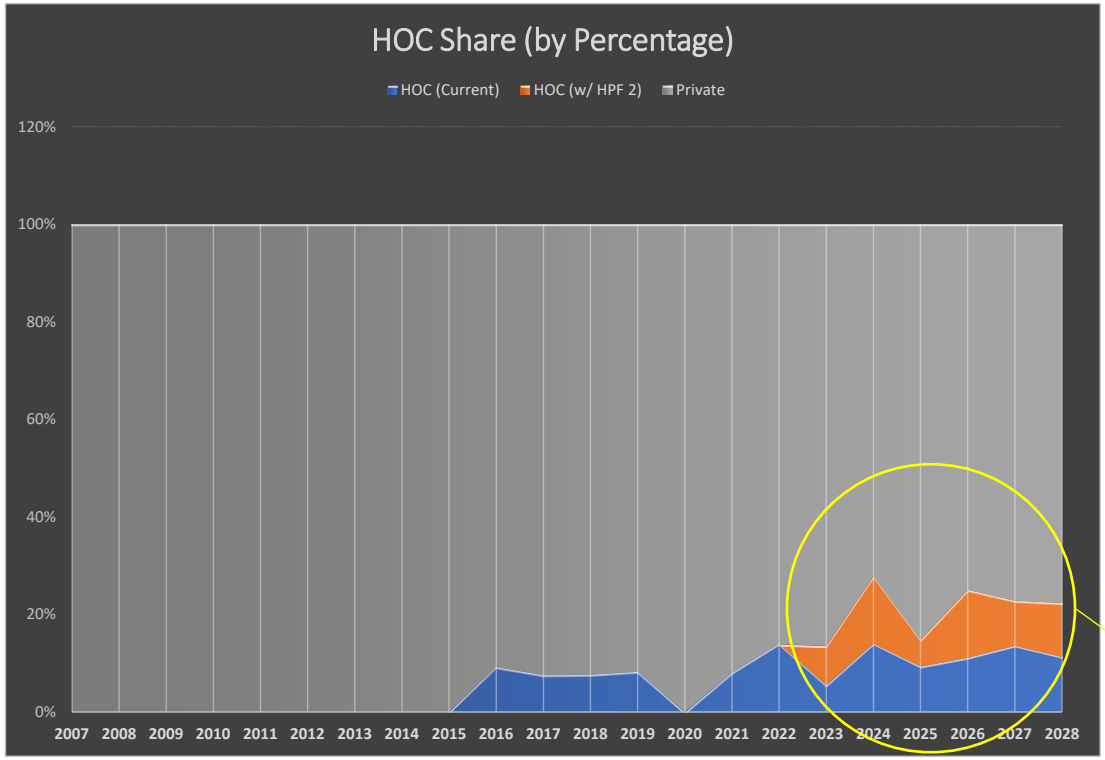


Actual.

HOC's current pipeline shows its growing contribution to County housing goals.

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HOC as a Primary Channel for Housing Production



Projected result of second HPF issuance (assuming $50MM).

Publicly financed housing is a viable tool capable of significant scale.

With the existing HPF in place, HOC is a fully capable channel for the achievement of County housing goals.

- HOC projects it can contribute between 6% and 14% of the annual COG target from HPF 1.
- With an HPF 2, HOC projects it can contribute between 14% and 28% of the annual COG target.
- This channel is highly scalable because of the low net annual cost to the County and HOC's ability to partner with the private sector.
- Primary limitations at higher levels of activity are HOC's guarantee capacity and co-investment resources. These limitations can be resolved; however, they will be the subject of close Commission scrutiny.

Core Benefits of HOC as a Major Channel for County Housing Production

Governmental

HOC's governmental status keeps value created by HPF inside public investment model.

Innovating

HOC is pursuing new mid- and high-rise construction systems as well as Passive House standard.

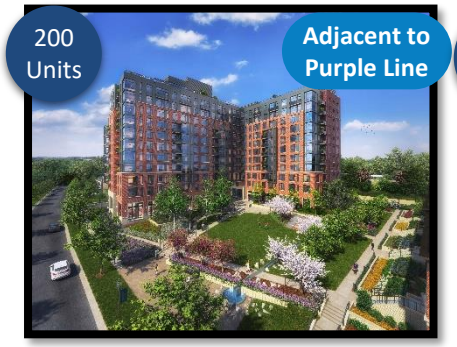
Prioritizing Affordability

HOC delivers at least twice the required affordability in all of its developments.

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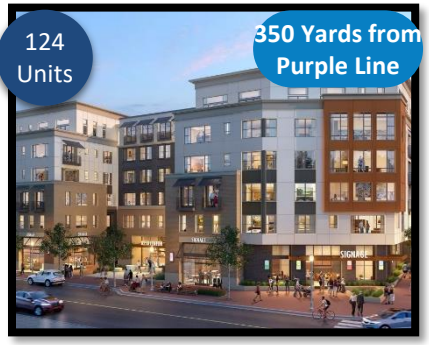
Production: Recent Successes & First HPF Revolution

The Lindley



Opened: 2018

Fenton Silver Spring (900 Thayer)



Opened: 2019

Upton II



Opened: 2022

Elizabeth House III



Opening: Fall 2022

Westside at Shady Grove



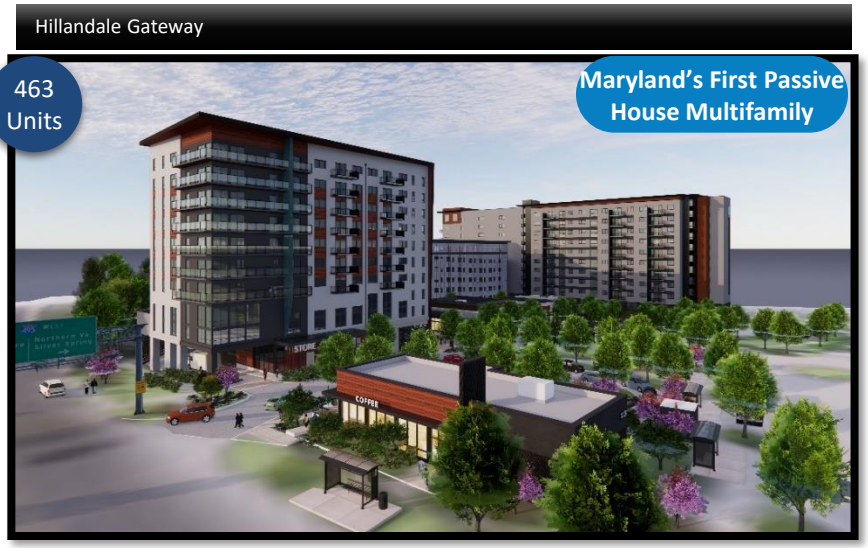
Opening: 2023

Westside at Shady Grove

First HPF Transaction ($14MM Utilized).
Affordability is 30% of Units (81 Units).
Includes 54 Units at 50% AMI.
No LIHTC or permanent HIF Used.

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Production: Recent Successes & First HPF Revolution



Hillandale Gateway

Second HPF Transaction ($36MM Utilized).
Rent restriction on is 54% of Units.
Includes 67 Units at 50% AMI, 25 Units at 40% AMI, and 25 Units at 30% AMI.
Passive House and Net Zero Targeted.

Hillandale Gateway Affordability		
AMI	***# of Units***	***% of Total***
30%	25	5.4%
40%	25	5.4%
50%	67	14.5%
60%	50	10.8%
70%	25	5.4%
80%	56	12.1%
Market	215	46.4%
TOTAL	**463**	**100.0%**



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Second HPF Issuance: Cost Estimates

- Just as with the initial $50MM funding, approximately $250MM in project loans can be issued over the 20-year life of the bonds.
- The developments that use the Fund will pay 5% annually on the loan amount (and are paid current because interest is capitalized for the construction and lease-up period).
- The $250MM does not include any reinvestment of project interest paid.
- Interest on project loans is paid back to the County to offset annual HPF appropriation.
- The Housing Production Fund will continue to serve at this level and frequency after the bonds are paid off.

Leveraging of County Funds

25-to-1

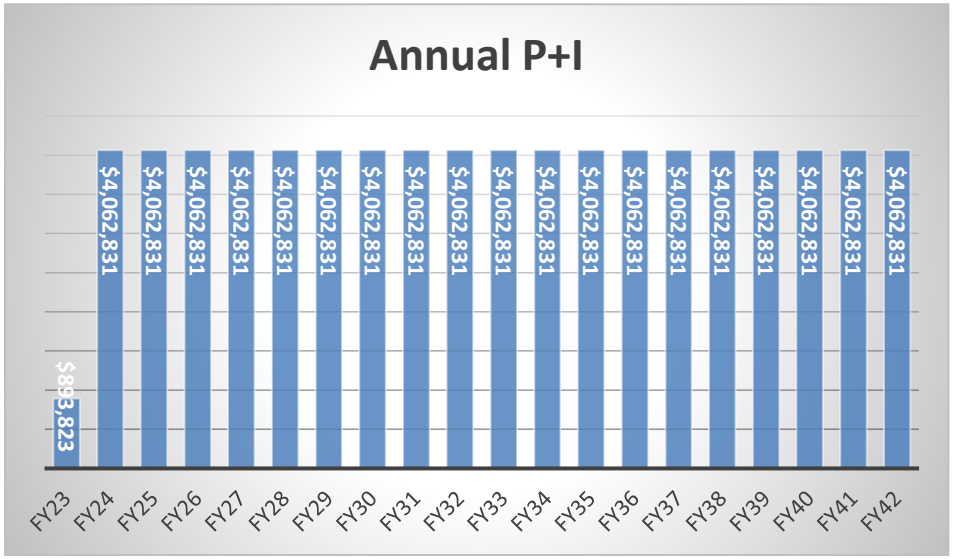
HPF @ $50MM (Project Interest to County)				
	Bonds Issued	***Bond P+I***	***Project Loans***	***Interest Paid***
FY23	$11,000,000	$893,823	$11,000,000	$0
FY24	$39,000,000	$4,062,831	$39,000,000	$2,500,000
FY25		$4,062,831		$2,500,000
FY26		$4,062,831		$2,500,000
FY27		$4,062,831		$2,500,000
FY28		$4,062,831	$50,000,000	$2,500,000
FY29		$4,062,831		$2,500,000
FY30		$4,062,831		$2,500,000
FY31		$4,062,831		$2,500,000
FY32		$4,062,831	$50,000,000	$2,500,000
FY33		$4,062,831		$2,500,000
FY34		$4,062,831		$2,500,000
FY35		$4,062,831		$2,500,000
FY36		$4,062,831	$50,000,000	$2,500,000
FY37		$4,062,831		$2,500,000
FY38		$4,062,831		$2,500,000
FY39		$4,062,831		$2,500,000
FY40		$4,062,831	$50,000,000	$2,500,000
FY41		$4,062,831		$2,500,000
FY42		$4,062,831		$2,500,000
			$250,000,000	**$47,500,000**

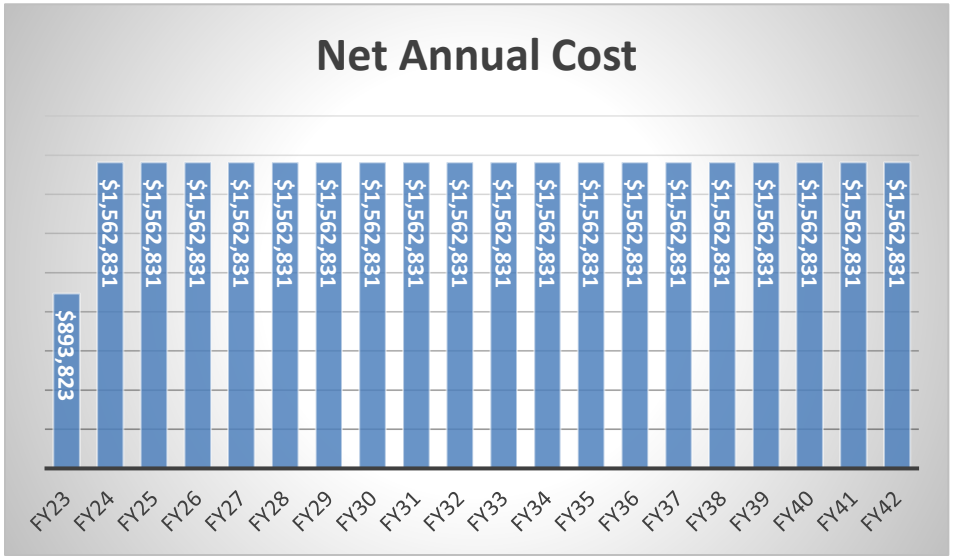
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Second HPF Issuance: Cost Estimates

While rates have increase since first $50MM issuance, cost of additional HPF issuance remain very cost-effective.

- Original HPF issuance P + I was estimated at $3.40MM per year.
- Actual P + I is $3.06MM per year.
- Original HPF net annual cost was estimated at $1.40MM per year.
- Actual net annual cost is $600,000 per year.
- With the recent increase in rates, second HPF issuance P + I (with a 50BPS cushion) is $4.06MM per year.
- Projected net annual cost of second HPF issuance is $1.56MM per year.





Housing Opportunities Commission of Montgomery County