

# Presentation

<b>Agenda Item #</b>	1
<b>Meeting Date</b>	June 15, 2009
<b>Prepared By</b>	Linda Walker Affordable Housing Manager
<b>Approved By</b>	Barbara B. Matthews City Manager

<b>Discussion Item</b>	Housing Opportunities Commission's proposed purchase of 7411 Aspen Court
<b>Background</b>	<p>The Housing Opportunities Commission (HOC) owns and operates more than 6,500 units throughout Montgomery County. The properties include individual, scattered site townhomes, and condominiums, older multifamily buildings, garden apartments, and Class A high-rise buildings. Units are affordable at a broad spectrum of income levels, ranging from public housing to top of the market rents.</p> <p>HOC is in the process of purchasing an 11-unit rental property located at 7411 Aspen Court. Acquisition is expected no later than August 31, 2009. This is an occupied facility which is in need of significant improvement. HOC acquired 7423-27 Aspen Court (16 units) in October 2007 and 717 Sligo Creek Parkway (12 units) in December 2008. The purchase of 7411 Aspen Court will complete HOC's goal to acquire, rehabilitate and maintain all three rental facilities located in the Aspen Court cul-de-sac as affordable rental units. It is anticipated that renovation of all three facilities will start during the third quarter of 2009.</p> <p>HOC is applying for financing for the project from a variety of sources. If Low Income Housing Tax Credits are used to finance the project, rents will be affordable for households who earn less than 60% of the area median income (AMI). If Partnership Rental Housing Program financing is secured, rents will be affordable for households who earn 50% of AMI. If any portion of the project is financed by Montgomery County, two to four of the units will be rented at market rates with no established income limits in furtherance of the County's goal to create mixed income rental facilities where units are available at market rate rents.</p> <p>In addition to providing an update on their plans for Aspen Court, HOC will be asking the Council to consider adoption of a resolution of support for the proposed purchase. Chapter 53A-4(d) of the Montgomery County Code states that "the County and HOC may buy rental housing in a municipality only if the municipality approves." The requested resolution of support for their purchase of the property is to be considered by the Council on June 22.</p> <p>Andrew Zaleski from HOC will be present to give Council an overview of the project and to answer questions.</p>
<b>Policy</b>	"The City Council of the City of Takoma Park supports the provision, enhancement, and protection of affordable housing opportunities throughout our community for all

	<p>of our citizenry. Working in cooperation with our residents, community leaders, and housing providers, we will provide staff resources and, when available, financial assistance to programs and projects which further our affordable housing goals.”</p> <p style="text-align: right;">City of Takoma Park Affordable Housing Policy and Action Plan (2002)</p>
<b>Fiscal Impact</b>	N/A
<b>Attachments</b>	HOC Request for Support (May 18, 2009)
<b>Recommendation</b>	To provide comment on the proposed purchase of 7411 Aspen Court
<b>Special Consideration</b>	



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May 18, 2009  
Via Email

Ms. Matthews and Mayor Williams:

The purpose of this letter is to inform the City Council of the Housing Opportunities Commission's (HOC) proposed acquisition of 7411 Aspen Court no later than August 31, 2009. This is one of three distressed apartment buildings located on the Aspen Court cul-de-sac within an otherwise attractive and stable community of single-family homes within the City of Takoma Park. HOC has the support of Montgomery County's Department of Housing and Community Affairs (DHCA), which is expected to provide acquisition financing for this investment.

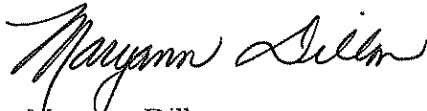
HOC acquired the other two buildings, the 16-unit 7423-7427 Aspen Court and the 12-unit 717 Sligo Creek Parkway in October 2007 and December 2008, respectively. During this time, HOC has been in contact with Linda Walker and Sara Daines of Takoma Park's Housing and Community Development. As all three buildings require significant improvement, they have supported HOC's goal of transforming this pocket of affordable rental housing which has suffered from underinvestment and poor management. Additionally, and as per Linda Walker, HOC is exempt from Takoma Park Code Section 6.32 (Tenant Opportunities) for the acquisition of 7411 Aspen Court as HOC is considered a government agency. We expect to begin renovating all buildings during the third quarter of 2009, with occupancy at the currently vacant 7423-27 Aspen Court as soon as possible thereafter.

The financing structure for these properties has not been finalized, but HOC intends to apply to the State of Maryland for Low Income Housing Tax Credits (LIHTC) and/or Partnership Rental Housing Program (PHRP) financing for all three properties. Accordingly, average monthly rental rates would be affordable to households earning less than 60% of Area Median Income (AMI) in the case of tax credits or 50% of State Median Income should PHRP financing be awarded. Should either of these not be awarded, DHCA financing would apply and would require average monthly rental rates be based on a percentage of AMI. Due to DHCA's desire to mix market rate with

affordable housing, the possibility exists that between two and four units within each building would be rented at market rates, with all remaining unit rents based on rates at or below 60% AMI. Until financing is in place, HOC intends to allow existing tenants who have valid leases under Takoma Park rent stabilization codes to continue renting in this fashion, with the annual rent increases as per Takoma Park's annual recommendations.

We believe that this is an important property for HOC to acquire. The potential exists that the current owner could sell the property to an investor with the intention of evicting existing tenants in order to pursue either a condominium regime or to achieve higher rents. Although HOC and DHCA would have the right to match the contract under the Right of First Refusal program, the terms to match could be higher than those currently proposed by HOC. Conversely should the owner continue to hold the property, it will probably continue to suffer from mismanagement which will create challenges for HOC as it renovates and leases both 7423-27 Aspen Court and 717 Sligo Creek Parkway. As market conditions improve the owner would be able to resume condominium sales, relinquishing any remaining affordable rental units.

Sincerely,

A handwritten signature in cursive script that reads "Maryann Dillon".

Maryann Dillon  
Director, Real Estate Division

CC: HOC - A. Alston; A. Zaleski  
DHCA - J. Giloley; S. Killian; L. Cager;  
Takoma Park – S. Daines; L. Walker