



## Takoma Park City Council Meeting – Sept. 23, 2020 Agenda Item 3

### **Voting Session**

Authorizing the City Manager to Enter Into a Contract with Habitat for Humanity and Use \$200,000 From the Housing Reserve for Creation of Affordable Homeownership Opportunities at 7402 Garland Avenue

### **Recommended Council Action**

Approve Ordinance

### **Context with Key Issues**

After many years of research, community discussions and Council consideration, the City Council adopted a Housing and Economic Development Strategic Plan on October 16, 2019. Some of the key findings and recommendations of the Strategic Plan centered on expanding affordable home ownership opportunities and the preservation and creation of housing that is “safe, sustainable, accessible and affordable across socioeconomic groups.” The City’s Opportunity to Purchase law (Chapter 6.32 of the Takoma Park Municipal Code) allows the City to purchase residential rental housing that is offered for sale. The law allows the City to take advantage of opportunities to advance the Council’s goals related to housing, if funds and partnerships are in place to do so.

There are notification requirements related to the City’s and Tenant’s Opportunity to Purchase laws. When the City was notified of a proposed sale of a three-unit rental building at 7402 Garland Avenue for \$510,000, City staff worked to ensure that the tenants had their rights protected. The tenants declined to exercise their right to purchase the property and have moved out of the property.

Pursuant to Chapter 6.32, the property owners offered the City the opportunity to purchase the property. The City then provided to the owners on September 11, 2020 a written expression of interest to exercise its rights under Chapter 6.32 with the intent to assign its rights to Habitat for Humanity. To move forward, a contract for purchase must be offered by Habitat for Humanity to the owner by October 11, 2020 (unless extended). The owners wish to sell the property promptly.

In discussing the potential of the property, it became clear that Habitat for Humanity was very interested in purchasing the property and renovating it into two for-sale units under their shared equity homeownership model. Communications with the property owners, who live nearby in Takoma Park, indicated that they would like to see the property renovated carefully for owners who would love their homes. The third-party sales contract was with a company that intended to acquire the property and assign its interests to a real estate developer.

As Habitat for Humanity examined the costs of acquiring and renovating the property, they determined that the budget for redeveloping the property is roughly \$800,000. They determined that they needed \$200,000 (\$100,000 per unit) to help ensure affordability for future purchasers. With the City’s financial assistance, the project can move forward. Discussions are continuing between City staff and Habitat for Humanity officials on the terms of the contract with the City. The City would assign its rights to Habitat for Humanity, Habitat for Humanity would purchase the property for \$510,000 and then renovate the property. The two resulting housing units would be

sold to purchasers who meet Habitat's income and other criteria for a sales price per unit in the \$300,000 to \$315,000 range. As envisioned, when the first purchasers sell their individual units, the City's \$100,000 contribution per unit could be returned to the City's Housing Reserve. The terms of the contract with Habitat for Humanity are still to be settled.

### **Council Priority**

A Livable Community for All

Community Development for an Improved and Equitable Quality of Life

### **Environmental Considerations**

The property will be renovated to high levels of energy efficiency, both to meet environmental sustainability goals and to keep the property affordable and provide a healthy living environment for the residents. Some of the City's sustainability grant programs and assistance may help make the project even more successful and green.

### **Fiscal Considerations**

The \$200,000 proposed to be used for this project from the Housing Reserve is within the amount budgeted in the FY21 City of Takoma Park Budget. Other expenses are legal costs for review of the contract provisions and City staff time facilitating the project. The bulk of the financial risk will be on Habitat for Humanity. A successful project will also benefit the current property owners who live in Takoma Park. If a for-profit developer renovated the property and sold the property for a higher cost, there would be a greater return in property taxes to the City of Takoma Park. Inclusive economic development through affordable home ownership opportunities allows more families to own and build equity in the City.

### **Racial Equity Considerations**

The current property owners are white. It is not known who would be purchasing the property. The proposed purchase price range for the two units is lower than the average home price in Takoma Park, allowing more people to be able to afford the units. One element of the Housing and Economic Development Strategic Plan is to create housing in the "missing middle" that is between the rent stabilized apartments and more expensive homes that together make up the majority of housing units in Takoma Park. Because these two types of housing are largely racially segregated in Takoma Park, alternative forms of housing can help make progress in race equity efforts.

### **Attachments and Links**

Draft Ordinance

Adopted [Housing and Economic Development Strategic Plan](#)

**CITY OF TAKOMA PARK, MARYLAND**

**ORDINANCE NO. 2020-XX**

**AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONTRACT WITH  
HABITAT FOR HUMANITY AND USE \$200,000 FROM THE HOUSING RESERVE  
FOR A HOUSING PROJECT AT 7402 GARLAND AVENUE**

- WHEREAS, the Takoma Park City Council adopted the Housing and Economic Development Strategic Plan on October 16, 2019; and
- WHEREAS, City staff have developed relationships and partnerships with a number of housing organizations so as to be able to make progress on the goals identified in the Strategic Plan as opportunities arise; and
- WHEREAS, an opportunity has arisen to work with one of these housing partners to undertake a project that advances a number of goals of the City's Strategic Plan; and
- WHEREAS, this project involves the purchase of a vacant three-unit residential rental property at 7402 Garland Avenue and renovation of the property into two moderately-priced for-sale units meeting high sustainability standards by Habitat for Humanity; and
- WHEREAS, through the City's Opportunity to Purchase law, *see* Chapter 6.32 of the Takoma Park Municipal Code, the property owners offered the rental property to the tenants who have declined to exercise the option to purchase the property; and
- WHEREAS, the property owner subsequently offered the City the opportunity to purchase the property pursuant to Chapter 6.32; and
- WHEREAS, on September 11, 2020, the City Manager delivered a written expression of interest on behalf of the City of Takoma Park to exercise its rights under Chapter 6.32 to the property owners with the intent to assign its rights to Habitat for Humanity; and
- WHEREAS, the property is currently owned by long-time Takoma Park residents and they have a contract for sale to a real estate firm that has no commitment to development of moderately-priced, environmentally-sustainable housing; and
- WHEREAS, Habitat for Humanity needs a contribution of \$200,000 (\$100,000 per unit) from the City of Takoma Park to ensure affordability for the future homeowners, but will otherwise be responsible for the costs of purchasing and renovating the property, then selling the property to eligible purchasers meeting Habitat for Humanity income and other criteria; and
- WHEREAS, the \$200,000 contribution from the City will assist with the project and may be secured as a deferred subordinate mortgage that would be repaid to the City of Takoma Park after the units are sold, to replenish the Housing Reserve; and

WHEREAS, the Housing Reserve currently has a balance of \$1,078,509 and the FY21 Budget of the City of Takoma Park includes an estimated expenditure of \$210,000 from the Housing Reserve during the fiscal year for a possible housing project; and

WHEREAS, City staff believes this project is an excellent project to advance the Council's goals to preserve affordable housing stock and help provide "missing middle" homeownership opportunities; improve the physical condition, safety, resiliency, and energy efficiency of existing housing; and build partnerships with other organizations to advance the City's housing goals.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF TAKOMA PARK, MARYLAND THAT

SECTION 1. The City Manager is authorized to execute any documents and take any action necessary to assign rights and/or contract with Habitat for Humanity to purchase, redevelop and sell the property at 7402 Garland Avenue.

SECTION 2. The City Manager is authorized to use \$200,000 of funds from the City of Takoma Park Housing Reserve to advance this project.

SECTION 3. The Council finds that the legal timelines associated with the City's Opportunity to Purchase Laws create an emergency within the meaning of Section 309(e) of the Charter.

SECTION 4. This Ordinance shall become effective upon adoption.

ADOPTED this xx day of September, 2020 by roll-call vote as follows:

AYE:

NAY:

ABSTAIN:

ABSENT: