



Takoma Park City Council Meeting – March 17, 2021 Agenda Item 5

Voting Session

Authorizing the City Manager to Enter into a Contract with Housing Initiative Partnership and Use \$200,000 From the Housing Reserve for the acquisition of a rental property located at 320 Lincoln Avenue

Recommended Council Action

Approve Ordinance

Context with Key Issues

The City's Opportunity to Purchase law (Chapter 6.32 of the Takoma Park Municipal Code) allows the City to purchase rental housing that is offered for sale in certain situations. The law allows the City to take advantage of opportunities to advance the Council's goals for housing, if funds and partnerships are in place to do so. For example, in September 2020, the City partnered with Habitat for Humanity Metro Maryland to purchase a rental property that will be subdivided and renovated into two homes and sold to low-to-moderate income families. Through the adoption of the Housing and Economic Development Strategic Plan, the City Council has prioritized the expansion of affordable homeownership opportunities that create housing that is "safe, sustainable, accessible, and affordable across socioeconomic groups."

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 single-family rental home at 320 Lincoln Avenue for \$450,000, City staff worked to ensure that the tenant's rights were protected. On December 27, 2020, the tenant exercised her right to purchase the property and moved forward with securing financing. On February 12, 2021, the tenant notified the property owner that she no longer wished to purchase the property and would vacate the rental home. The City was then offered the option to purchase the property, pursuant to City Code. Upon receiving the written offer to purchase, the City staff met with Housing Initiative Partnership (HIP), an innovative, green nonprofit housing developer and counseling agency based in Prince George's County. HIP expressed an interest in renovating the property for future purchase to a moderate-income homebuyer. HIP creates housing and economic security and provides services that improve the quality of life in the communities they serve.

HIP and City discussed the acquisition and renovation costs for the property and determined that \$200,000 will help to subsidize the costs to a future purchaser. With the City's financial assistance, the project can move forward. The HIP Board approved proceeding with the project, with the condition that the homebuyer is a First Time Homebuyer and has a household income no greater than 120% of the Area Median Income (AMI). The City would assign its rights to HIP, which would then purchase the property from the owner for \$450,000 and then renovate the property and expand the home from two-bedroom one bathroom to three bedroom two bathrooms. The home would be sold to a purchaser who meets the City's and HIP's eligibility criteria. As envisioned, the City's \$200,000 contribution would be returned to the City's Housing Reserve Fund upon the sale of the property by the first homeowner.

The City received an offer of sale from the property owner on February 18, 2021 and requested an extension on February 24, 2021, which the property owner granted. The City provided notice to the

property owner on March 4, 2021 stating the intention to exercise its rights under the Opportunity to Purchase law. A contract for purchase must be offered by either the City or HIP to the owner by March 18, 2021.

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 is available in the City's Housing Reserve Fund; which has a balance of \$687,509. The City's funding will remain on the property as a subordinate lien and will be returned to the City upon sale of the home by the first purchaser. 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 HIP. If another 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.

A budget amendment will be needed to allocate the \$200,000 to the Housing Fund Expenditure account.

Racial Equity Considerations

It is not known who would be purchasing the property; however, the City would have more flexibility in prioritizing a current Takoma Park renter in the selection process for this project. This was not an option that was available to City in its partnership with Habitat for Humanity Metro Maryland. The proposed purchase price range for the home will be lower than the average home price in Takoma Park, allowing more families to be able to afford the home. 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 single-family homes that make up the bulk of housing 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
- Action by Board of Housing Initiative Partnership

Introduced by:

Single Reading

CITY OF TAKOMA PARK, MARYLAND

ORDINANCE NO. 2021-___

AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONTRACT WITH HOUSING INITIATIVE PARTNERSHIP AND USE \$200,000 FROM THE HOUSING RESERVE FUND FOR A HOUSING PROJECT AT 320 LINCOLN 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 single-family residential rental property located at 320 Lincoln Avenue and renovation of the property, meeting high sustainability standards, by Housing Initiative Partnership; 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 tenant who, after expressing interest in the property, did not execute a contract of sale for the property; and
- WHEREAS, the property owner subsequently offered the City the opportunity to purchase the property pursuant to Chapter 6.32 and granted the City an extension; and
- WHEREAS, on March 4, 2021, 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 Housing Initiative Partnership; and
- WHEREAS, Housing Initiative Partnership needs a contribution of \$200,000 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 criteria developed by Housing Initiative Partnership and the City of Takoma Park, which include sale to a first time homebuyer with a household income not greater than 120% of the Area Median Income; and
- WHEREAS,** the \$200,000 contribution from the City will assist with the project and will be secured as a deferred subordinate mortgage that would be repaid to the City of Takoma Park after the home is sold, to replenish the Housing Reserve Fund; and

WHEREAS, The Housing Reserve Fund currently has a balance of \$678,509 and the FY21 budget of the City of Takoma Park will need to be amended to add \$200,000 to the Housing Fund Expenditure account; and

WHEREAS, City staff believes this project is an excellent project to advance the Council’s goals to preserve affordable housing stock and 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 ORDAINED 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 Housing Initiative Partnership to purchase, redevelop, and sell the property at 320 Lincoln Avenue.
- Section 2. The City Manager is authorized to use \$200,000 of funds from the City of Takoma Park Housing Reserve to advance to project.
- Section 3. The Council finds that the legal timelines associated with the City’s Opportunity to Purchase Law create an emergency within the meaning of Section 309(e) of the Charter.

This ordinance is ADOPTED by the Council of the City of Takoma Park, Maryland, this ___ day of March, 2021, and shall be EFFECTIVE immediately upon its adoption, by roll-call vote as follows:

- AYE:
- NAY:
- ABSTAIN:
- ABSENT:

**HOUSING INITIATIVE PARTNERSHIP, INC
BOARD OF DIRECTORS CORPORATE RESOLUTION
AUTHORIZING PURCHASE AND SALE OF REAL PROPERTY**


WHEREAS, the Board of Directors deems it desirable and in the best interest of Housing Initiative Partnership, Inc. (The "Corporation") to enter into an agreement to purchase the property located at 320 Lincoln Avenue, Takoma Park 20912 (The "Property"), and to renovate and sell the Property,

BE IT RESOLVED, that the Corporation acquire the Property for a price of approximately \$450,000, the exact price and additional terms and conditions to be set as the Executive Director of the Corporation, Maryann Dillon, may in her best judgment for the benefit of the Corporation deem advisable;

AND FURTHERMORE, that HIP sell the home to a qualified buyer earning no more than 120% AMI;

AND FURTHERMORE, the Executive Director of the Corporation, Maryann Dillon, or the Deputy Director, Stephanie Proestel, is hereby authorized and directed to execute, on behalf of this Corporation and in its name as purchaser, any and all agreements, certificates, declarations, licenses, and other documents, all as required in connection with the purchase of the Property and with the later sale of the property upon completion of required renovations.

BE IT ALSO RESOLVED that the Chair of the Corporation shall be and is authorized and directed to deliver to all concerned parties these resolutions and that the same are in conformity with the charter and by-laws of this corporation.


Signature 03/16/2021
Date
Samuel J. Parker, Jr. Chair
Print Name Title