



Takoma Park City Council Meeting – September 14, 2022 Agenda Item 3-A

Voting Session

Resolution Authorizing the Use of FY22 State Revitalization Program National Capital Strategic Economic Development Fund (NED) Grant Award Funds to Assist in the Acquisition of 320 Lincoln Avenue

Recommended Council Action

Approve the Resolution.

Context with Key Issues

On July 28th, 2021, the City Council enacted Resolution No. 2021-28, supporting a grant application to the State of Maryland's Department of Housing & Community Development (DHCD) to support the acquisition of properties in the City of Takoma Park to develop affordable homeownership opportunities. As a result of that Resolution, the City applied for and was awarded \$500,000 in DHCD National Capital Strategic Economic Development Funds for the creation of an Affordable Housing Opportunities Fund. The resolution authorizing use of the funds will allow the City to enter into a loan agreement for \$200,000 with a buyer at 320 Lincoln Avenue utilizing funds from this grant award.

320 Lincoln Avenue (the "Property") was acquired under the City's Tenant Opportunity to Purchase Law in March 2021. The City assigned its opportunity to purchase to the Housing Initiative Partnership (HIP), a local affordable housing developer, for the renovation of the Property into a single-family homeownership opportunity. HIP completed the renovation of the Property in August 2022. In order to ensure that the Property is affordable, both the City and HIP plan to offer secondary financing to any qualifying purchaser at or below 120% of Area Median Income (AMI), or a maximum income of \$119,532 for an individual and \$153,684 for a family of three.

On August 20, 2022, HIP placed the Property on the market for \$825,000 and hosted an open house. After 11 days on the market and approximately a dozen showings, HIP accepted an offer from a qualified applicant who was vetted to meet the 120% AMI threshold.

In order to ensure the affordability of the Property, the City plans to use \$200,000 from the City's FY22 \$500,000 grant award for the creation of an Affordable Housing Opportunities Fund to provide a subordinate, forgivable, non-interest bearing mortgage on the Property. Per the terms of the Grant Agreement executed with DHCD, the Affordable Housing Opportunities Fund is intended to support affordable homeownership by assisting with acquisition costs for lower income homebuyers. The subordinate mortgages from HIP and the City totaling \$330,000 will reduce the cost burden of the home from \$825,000 to \$495,000.

Pending Council approval, the City will provide a second mortgage on the Property for \$200,000. The mortgage term will be 25 years with 0% interest. No payment will be due on the mortgage unless triggered by a sale of the Property. Beginning on the sixth year, the mortgage's principal will be forgiven at a rate of \$10,000 on an annual basis.

Council Priority

A Livable Community for All; Fiscally Sustainable Government; Engaged, Responsive, and Service-Oriented Government; Community Development for an Improved & Equitable Quality of Life

Environmental Considerations

None noted.

Fiscal Considerations

The proposed \$200,000 will come from the FY22 DHCD Grant Award #00537 (Affordable Home Ownership Opportunities Fund) and will not impact the City's general funds. Additionally, at settlement, the City will receive a separate \$200,000 from HIP which was previously allotted for the property's acquisition through Ordinance 2021-13 and will be reinvested in the City's Housing Reserve Fund.

Racial Equity Considerations

In order to encourage greater racial equity in Takoma Park homeownership, the City must make funds available to incentivize homeownership opportunities at price points more attainable for the City's minority populations. Data from the 2016-2020 American Community Survey shows a large racial discrepancy between Takoma Park homeowners and renters. The homeownership rate for white Takoma Park residents is at 81.39%, while it is only 13.94% for black Takoma Park residents. The project at 320 Lincoln is a first step to encouraging more diversity; however, future projects may consider additional and alternative forms of subsidy to allow for deeper levels of affordability and to better target minority populations.

Attachments and Links

Draft resolution.

Introduced by:

**CITY OF TAKOMA PARK
RESOLUTION 2022-__**

RESOLUTION AUTHORIZING THE USE OF FY22 STATE REVITALIZATION PROGRAM NATIONAL CAPITAL STRATEGIC ECONOMIC DEVELOPMENT FUND (NED) GRANT AWARD FUNDS TO ASSIST IN THE ACQUISITION OF 320 LINCOLN AVENUE

WHEREAS, the Council adopted the City’s Housing and Economic Development Strategic Plan on October 16, 2019, by Resolution 2019-47, under which the City established its goal of producing more housing across the income spectrum in neighborhoods across the City to meet the diverse housing and economic needs of City residents;

WHEREAS, by Ordinance 2021-13, adopted on March 17, 2021, the Council authorized the City Manager to enter into a contract with Housing Initiative Partnership and authorized the use of Two Hundred Thousand Dollars (\$200,000.00) from the City’s Housing Reserve Fund for a housing project (the “Project”) involving 320 Lincoln Avenue, Takoma Park, Maryland (the “Property”);

WHEREAS, the Property was previously subject to the City’s Tenant Opportunity to Purchase Law, *see* Chapter 6.32 of the Takoma Park Code, and the tenants who previously resided at the Property were offered an opportunity to purchase the Property but did not execute a contract for the sale of the Property;

WHEREAS, the previous owners of the Property offered the City the opportunity to purchase the Property pursuant to Chapter 6.32 of the Takoma Park Code, which the City exercised and subsequently assigned its right to purchase the Property to Housing Initiative Partnership;

WHEREAS, the Project involved the renovation of the Property in accordance with certain sustainability standards;

WHEREAS, pursuant to the Project, the Two Hundred Thousand Dollars (\$200,000.00) provided by the City to Housing Initiative Partnership was secured as a deferred subordinate mortgage that will be repaid to the City when the home is sold;

WHEREAS, the renovations to the Property contemplated under Ordinance 2021-13 have been completed and Housing Initiative Partnership now wishes to sell the Property to a first-time homebuyer meeting certain eligibility requirements;

WHEREAS, by Resolution 2021-28, adopted July 28, 2021, the Council supported the grant award of Five Hundred Thousand Dollars (\$500,000.00), associated with the application submitted for the FY22 State Revitalization Program National Capital Strategic Economic Development Fund (NED) grant, to support the acquisition of

properties in the City of Takoma Park to develop affordable homeownership opportunities;

WHEREAS, also by Resolution 2021-28, adopted on July 28, 2021, the Council authorized the City Manager to act as “Legal Entity Official (LEO)” and take any action necessary to carry out the intent of that Resolution;

WHEREAS, the City wishes to contribute Two Hundred Thousand Dollars (\$200,000.00) received from the State of Maryland under the FY22 State Revitalization Program National Strategic Economic Development Fund (NED) grant to support the acquisition of the Property by a first-time homeowner meeting certain eligibility requirements;

WHEREAS, the City’s Two Hundred Thousand Dollar (\$200,000.00) contribution will be secured as a deferred non-interest bearing forgivable subordinate mortgage against the Property, under which the purchaser of the Property must maintain the Property as his or her principal residence for a twenty-five (25) year period and meet certain eligibility requirements in order for the mortgage to be forgiven; and

WHEREAS, City staff believes the Project is an excellent opportunity to advance the Council’s goals of preserving affordable housing stock and helping provide “missing middle” homeownership opportunities.

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

SECTION 1. The City Manager is authorized to use Two Hundred Thousand Dollars (\$200,000.00) of the FY22 State Revitalization Program National Strategic Economic Development Fund (NED) grant, as set forth above, to ensure the affordability of the Property for a subsequent purchaser meeting certain eligibility requirements.

SECTION 2. The City manager is authorized to execute any documents and take any action necessary to for the City to acquire an interest in the Property, as set forth herein.

Adopted this _____ day of September, 2022

Attest:

Jessie Carpenter, CMC
City Clerk