



# Takoma Park City Council Meeting – December 13, 2023

## Agenda Item 4

### Voting Session

### Agenda Item

Resolution Approving the Use of Grant Funds for the Garland Avenue Homeownership Project

### Recommended Council Action

Approve the ordinance.

### 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 will allow the City to enter into a loan agreement for \$150,000 with the buyers at 7402 Garland Avenue and 7406 Garland Avenue utilizing funds from this grant award.

7402 Garland Avenue (the "Property") was acquired under the City's Tenant Opportunity to Purchase Law in 2020. The City assigned its opportunity to purchase to Habitat for Humanity Metro Maryland ("Habitat"), a local affordable housing developer, for the renovation of the Property into a duplex homeownership opportunity for two families. Habitat completed the renovation of the Property in November 2023. In order to ensure that the Property is affordable, both the City and Habitat plan to offer secondary financing to any qualifying purchaser at or below 80% of Area Median Income (AMI). Two families are currently income qualified and completed the requirements to purchase the property.

In order to ensure the affordability of the Property, the City plans to use \$300,000 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 provided by the City will reduce the cost burden of the home to \$275,000.

Pending Council approval, the City will provide a second mortgage of \$150,000 to both buyers. 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, Service-Oriented Government

Community Development for an Improved & Equitable Quality of Life

**Environmental Considerations**

None noted.

**Fiscal Considerations**

The proposed \$300,000 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 Habitat for Humanity which was previously allotted for the property's acquisition through Ordinance 202-16 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.

**Attachments and Links**

Draft Resolution