

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:

August 20, 2007

CALL TO PODIUM:

Fred Felton
Assistant City Manager

RESPONSIBLE STAFF:

Fred Felton
Louise Kauffmann
Mary Boyle

AGENDA ITEM:

(please check one)

<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
<input type="checkbox"/>	Appointment
<input type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Historic District
<input type="checkbox"/>	Consent Item
<input type="checkbox"/>	Ordinance
<input checked="" type="checkbox"/>	Resolution
<input type="checkbox"/>	Policy Discussion
<input type="checkbox"/>	Work Session Discussion Item
<input type="checkbox"/>	Other:

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item is a public hearing)

Introduced	
Advertised	
Hearing Date	
Record Held Open	
Policy Discussion	

<p>TITLE:</p> <p>Resolution of the Mayor and City Council Authorizing the City Manager to Negotiate and Enter Into an Agreement With the Housing Opportunities Commission to Administer a Residential Redevelopment Homeownership Assistance Program for Residents Displaced by Residential Redevelopment</p>
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<p>SUPPORTING BACKGROUND:</p> <p>One of the goals for Strategic Direction #5 is to consider modifications to the West Deer Park Pilot Homeownership Program to provide ownership opportunities for residents displaced by residential redevelopment.</p> <p>On July 16, 2007, the Mayor and City Council held a work session to discuss alternatives for the Homeownership Assistance Program. For your review, staff has attached the package from this work session.</p> <p>Based on the guidance received on July 16, 2007, staff has been working with HOC to refine the Homeownership Program with the following key provisions:</p> <ol style="list-style-type: none"> 1. Rather than an outright grant, the program should offer a zero interest deferred loan. Repayment would occur when the homeowner sold the home or refinanced; however, homeowners would be able to access a one-time home equity line of credit not to exceed \$10,000 without triggering repayment. 2. Displaced residents would have the opportunity to access this program for a period of three years after they are displaced as long as they submit a certificate of interest by a specified date. 3. Loans to families earning up to 80% of Area Median Income (AMI) would be funded with Community Development Block Grant funds. 4. Loans to families earning more than 80% of AMI would be funded via earmarked City funds. <p style="text-align: center;">-Continued -</p>

<p>DESIRED OUTCOME:</p> <p>Provide guidance to staff, and vote on resolution.</p>

MAYOR & COUNCIL AGENDA COVER SHEET

SUPPORTING BACKGROUND CONTINUED:

While there seemed to be consensus at the July 16, 2007 work session that families purchasing within the City of Gaithersburg should be eligible for higher loan amounts than families purchasing outside of Gaithersburg, there was not consensus on how large of a loan should be made available. Subsequent to this work session, staff completed an analysis dated July 19, 2007 that outlined the affordability of homes at 80% and 60% of AMI. Based on this analysis, staff is recommending that families earning 80% or less of AMI receive loans up to \$20,000 if purchasing within the City, and up to \$15,000 loans if purchasing outside the City. For families making more than 80% of AMI, staff is recommending up to \$15,000 for purchases within the City and up to \$10,000 for purchases outside the City.

On August 14, 2007, staff received an email from Tom Cowley of Action in Montgomery (AIM) that included their recommendations for the Homeownership Assistance Program. Staff met with representatives of AIM and seven Broadstone tenants to discuss their recommendations. While a number of their suggestions are accommodated in the proposed program, staff is not supportive of their recommendation to make a portion of the loans forgivable or of their recommendations to permit loans as high as \$40,000.

The attached resolution would authorize the City Manager to negotiate and execute an agreement with HOC, and to encumber \$300,000 in earmarked City funds and \$100,000 in CBDG for the Homeownership Program. Pursuant to the terms of the draft agreement, HOC would invoice the City after each loan is issued for the actual amount of the loan and an administrative fee, and the City will pay the invoice using the appropriate encumbered funds.

Staff is only recommending earmarking \$100,000 in CBDG funds at this point because of the HUD requirement that the earmarked funds be spent within 18 months, and we do not know the timing of any loans that may be issued to families earning 80% or less of AMI. None of the City's earmarked funds will be used to issue loans to families earning 80% or less of AMI. As the CBDG funds are expended, it is anticipated that staff will recommend that additional CBDG funds be transferred to support this program.

Attachments:

1. Resolution
2. Cover Sheet and materials from the July 16, 2007 work session
3. Memorandum dated July 19, 2007 from Mary Boyle
4. Email w/attachments from Tom Cowley dated August 14, 2007
5. Draft agreement with HOC

Resolution Request Form

REQUEST FORM FOR RESOLUTIONS PERTAINING
TO EXPENDITURES FROM THE CITY BUDGET
(CONTRACTS/PURCHASES, TRANSFER FUNDS)

(Please attach the Mayor and Council Agenda Cover Sheet to this Form. For contracts/purchases, the Cover Sheet MUST include a list of all bidders and bid amounts.)

Requested by: Louise Kauffmann Date of City Council Meeting: August 20, 2007

AUTHORIZING

Purchase Award Contract Transfer Funds Negotiate/
Execute a Contract

BID INFORMATION: N/A Sole Source

Newspaper(s) _____

Bids Opened/Tabulated (date) _____

DESCRIPTION OF ITEM(S):

(Be specific; include quantity, item name, model number, etc.)

Contract is for the administration and oversight of the Residential Redevelopment Homeownership Assistance program by the Housing Opportunities Commission.

CONTRACTED/PURCHASE FROM:

Company Name Housing Opportunities Commission

Street Address

10400 Detrick Avenue

City/State/Zip Kensington, MD 20895

CONTRACT/PURCHASE AMOUNT: \$400,000

Check One: In the Amount of Not to Exceed

FUNDS TO BE EXPENDED FROM: Operating Budget 1133/562000 (\$300,000) _____
Capital Improvements Budget 04-1 (\$100,000)

Account Number:

(For Finance Department use only; not to be included in the Resolution)

VERIFICATION OF AVAILABILITY OF FUNDS

Available Not available

Louise Kauffmann 8/15/07

Finance Dept.

Date

RESOLUTION NO. _____

RESOLUTION OF THE MAYOR AND CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO NEGOTIATE AND ENTER INTO
AN AGREEMENT WITH THE HOUSING OPPORTUNITIES
COMMISSION TO ADMINISTER A RESIDENTIAL REDEVELOPMENT
HOMEOWNERSHIP ASSISTANCE PROGRAM FOR
RESIDENTS DISPLACED BY RESIDENTIAL REDEVELOPMENT

WHEREAS, the Mayor and City Council recognize that certain residents displaced by residential redevelopment are interested in purchasing homes in Gaithersburg and Montgomery County; and

WHEREAS, the Mayor and City Council recognize that many of these residents require assistance to purchase residential units; and

WHEREAS, the City Manager has determined that contracting with the Housing Opportunities Commission is uniquely qualified to administer this program and that direct negotiations with the Housing Opportunities Commission pursuant to Section 57 of the City Charter is in the best interest of the City; and

WHEREAS, the Housing Opportunities Commission of Montgomery County has experience administering a variety of homeownership assistance programs, including the successful administration of the West Deer Park Pilot Homeownership Assistance Program; and

WHEREAS, the Housing Opportunities Commission will administer the City's Residential Redevelopment Program whereby residents may receive down payment and closing cost assistance in the form of zero-percent deferred loans:

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and City Council of Gaithersburg, that the City Manager be and he hereby is authorized to immediately negotiate, and thereafter, execute a contract with the Housing Opportunities Commission, 10400 Detrick Avenue, Kensington, Maryland 20895, to provide administration and oversight of the City's Residential Redevelopment Homeownership Assistance Program in an amount not to exceed Three Hundred Thousand Dollars (\$300,000) in City funds and an additional One Hundred Thousand Dollars (\$100,000) in CDBG funds; said City funds to be expended from the Operating Budget and said CDBG funds to be expended from the Capital Improvement Project (CIP).

ADOPTED by the City Council this 20th day of August, 2007.

Sidney A. Katz, Mayor and
President of the Council

THIS IS TO CERTIFY that the foregoing
Resolution was adopted by the City Council
in a public meeting assembled on the
20th day of August, 2007.

David B. Humpton, City Manager

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:
July 16, 2007

CALL TO PODIUM:
Fred Felton

RESPONSIBLE STAFF:
Mary Boyle
Louise Kauffmann
Fred Felton
Tony Tomasello

AGENDA ITEM:
(please check one)

<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
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<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Policy Discussion
<input checked="" type="checkbox"/>	Work Session Discussion Item
<input type="checkbox"/>	Other:

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item is a public hearing)

Introduced	
Advertised	
Hearing Date	
Record Held Open	
Policy Discussion	

TITLE:
Alternatives for Homeownership Assistance Program

SUPPORTING BACKGROUND:
On July 9, 2007, the Mayor and City Council approved a rezoning application for the property at the intersection of MD 355 and West Deer Park Road, the site of Broadstone Apartments. As a result of the rezoning approval and planned redevelopment of the property, the Broadstone tenants will have 120 days to locate other housing, with final vacancy scheduled for November 15, 2007. In addition, it appears likely that the Archstone redevelopment project on East Diamond Avenue will move forward.
In light of the pending and potential redevelopment projects, this work session will focus on various components of a potential homeownership program for residents displaced by residential redevelopment.
To assess various options for a City homeownership assistance program, staff surveyed homeownership programs at the federal, state and local level and also reviewed similar programs across the country. A table summarizing programs currently available to City residents is attached to this coversheet.
In addition, staff held a series of internal review meetings in order to evaluate the effectiveness of the West Deer Park Pilot program, identifying successful elements of that program as well as factors that would create additional success.
Attachments: Homeownership Assistance Programs Table Power Point Presentation
See Continuation Pages 2 and 3

DESIRED OUTCOME:
Discuss Issues and Provide Guidance to Staff

Staff also met with representatives of the Housing Opportunities Commission, the agency charged with administering the pilot program, to seek guidance on ways to improve participation levels. Although the program achieved a measure of success given that seven former tenants attained homeownership and remain in good standing today, staff identified a number of issues that contributed to the relatively low participation rates achieved by the program. Those include:

1. There was a relatively high vacancy rate at West Deer Park Apartments by the time the program was ultimately approved and underway.
2. Housing prices were exceptionally high when the program was initiated, putting homeownership out of reach for many occupants even with the available assistance.
3. The one-year term in which tenants were required to purchase a home did not provide sufficient time for this population of residents to cure poor credit records and otherwise arrange their financial affairs.
4. Insufficient contact information was compiled to sustain communication with residents once they vacated the premises.
5. Higher grant amounts (ie, \$15,000) would have likely increased participation.

Staff recommends that these factors be considered in formulating any future homeownership assistance program for the City.

In addition to evaluating the West Deer Park Pilot program, staff examined various funding sources needed to support the proposed homeownership assistance program as well as other programs in the event of future redevelopment projects. On June 21, 2007, the Council adopted the City's FY08 budget in which \$300,000 was allocated for a homeownership assistance program designed to assist residents faced with relocation. Of that \$300,000, \$147,000 remained from the West Deer Park Pilot Homeownership Assistance Program while \$153,000 in new funds were allocated.

One additional viable source of funding would be the use of CDBG funds which may be used to provide down payment and closing cost assistance to households earning up to 80% of AMI. An analysis of the income data of Broadstone residents shows that 80% of those residents earn below 80% of AMI and thus fall within this category of eligibility under federal guidelines. Other sources of funding would be required to assist the remaining 20% of that population, those earning above 80% of AMI and thus ineligible for CDBG funding. Potential revenue sources for those residents include permit fees or, alternatively, a special redevelopment fee.

While allocating a portion of permit revenues for the homeownership assistance program would reduce City revenues in the current fiscal year, the redevelopments would generate higher City property tax and income tax revenues when complete. For example, ACM Tomasello has calculated that the positive economic impact of the redevelopment project would be approximately \$140,000 per year.

The form in which this assistance may be provided also requires consideration. Under the West Deer Park model, direct grants were awarded to eligible participants. One possible alternative format is a loan-based program in which zero percent deferred loans, repayable upon sale or refinancing of the property, are issued to qualified applicants. Under this model, participants would not be required to make monthly repayments, but would be required to repay the loan at the time of sale or refinancing. Alternatively, the City might consider adopting the Montgomery County model which provides low interest (5%) loans on a 10 year term.

In summary, the adoption of a homeownership assistance program requires the Mayor and Council to consider a number of policy questions prior to implementation. Those questions are:

1. Should the program be grant-based or loan-based?
2. How should the program be funded?
3. May participants purchase units outside of City limits?
4. How large of a grant or loan should be made available to residents?

HOMEOWNERSHIP ASSISTANCE PROGRAMS AVAILABLE TO CITY RESIDENTS

JURISDICTION	PROGRAM TITLE	KEY ELEMENTS
Federal	American Dream Down Payment Initiative (ADDI)	Down Payment and Closing Cost Assistance up to \$10,000 or 6% of the purchase price of the home, whichever is greater, to first time homebuyers through federal HOME funds; very limited funding and is available only to current HOC public housing or housing choice residents.
State of Maryland	More House 4 Less	Low interest loans to first time buyers; income limits apply
State of Maryland	Down Payment Settlement Expense Loan Program (DSELP)	0% deferred loans to first time home buyers of up to \$5000 to cover settlement expenses; loan is repayable upon sale or refinancing of home; income limits apply.
State of Maryland	House Keys 4 Employees	State will match contributions from employers dollar for dollar up to \$5000 for down payment costs; match is in the form of a 0% deferred loan repayable upon sale or refinancing.
State of Maryland	Live Near Your Work Plus	Down Payment and Closing Cost Grant of 3% of the mortgage for borrowers who use More House 4 Less Loan and who live within 10 miles of place of employment.
Montgomery County	Mortgage Purchase Program	HOC provides low interest loans to first time homebuyers by issuing tax-exempt bonds
Montgomery County	Closing Cost Assistance Loan	5% Closing Cost Assistance up to \$10,000 at 5% interest; first time homebuyer and at least one of the purchasers must work in Montgomery County; income limits apply; maximum purchase price: \$429,619
Montgomery County	ADDI	Grants of \$1000-\$10,000 to first time homebuyers who are current HOC public housing or housing choice voucher residents

GAITHERSBURG HOMEOWNERSHIP

Alternatives for Assistance



INTRODUCTION

■ Background

- Aging Multi-Family Housing Stock
- Goals of Strategic Direction #5

INTRODUCTION (II)

- **Housing Initiatives and Discussions in Recent Years**
 - November 2005 Overview
 - Enhanced Tenant Displacement Benefits
 - MPDU/WFHU Ordinance
 - Negotiated Affordable Housing Components at Casey East and Crown Farm
 - HOC Acquisition of Forest Oak Towers

INTRODUCTION (III)

■ **Status of Redevelopment Projects**

- Broadstone received SDP approval July 9, 2007.
- Status of Broadstone Relocation Plan
- Archstone (East Diamond Avenue Consolidation)

OTHER AVAILABLE PROGRAMS

■ Federal

- HOME Funds
- American Dream Down Payment Initiative (ADDI)
- Community Development Block Grant (CDBG)

OTHER PROGRAMS (II)

- **State of Maryland**

- **More House 4 Less Program**

- Low Interest
 - Long Term Loan
 - 1st Time Homebuyer
 - Income and Purchase Price Limits Apply

STATE PROGRAMS

- **Down Payment Settlement Expense Program (DSELP)**
 - 0% deferred loan up to \$5000 for closing costs
 - 1st Time Home Buyers
 - Repaid upon sale or refinancing
 - Income and Purchase Price Limits Apply

STATE PROGRAMS (II)

■ **House Keys 4 Employees Program**

- Dollar for dollar match of employer contribution up to \$5000
- Match in form of 0% deferred loan
- Repaid upon sale or refinancing
- Used in Bozzutto Olde Towne project

STATE PROGRAMS (III)

■ Live Near Your Work Plus

- Down payment or closing cost grant
- Up to 3% of mortgage
- Must use CDA mortgage and live within 10 miles of place of employment
- Income and purchase price limits apply

MONTGOMERY COUNTY PROGRAMS

- **Mortgage Purchase Program**
 - Low interest long term loans
 - First time homebuyers
 - Administered by HOC

COUNTY PROGRAMS (II)

■ Closing Cost Loan Program

- Up to \$10,000 loan at 5% interest
- Repaid in 10 years
- First time homebuyer
- Purchaser must work in County
- Income limits and maximum purchase price apply

COUNTY PROGRAMS (III)

- **ADDI Down Payment Grant**
 - Grants between \$1000-\$10,000
 - Uses Limited ADDI (federal) funds
 - Available Only to current HOC public housing or housing choice voucher residents
 - Administered by HOC

PROGRAMS IN OTHER JURISDICTIONS

■ **Rockville R.E.A.C.H. Program**

- Interest free loan up to \$12,000 for down payment and closing costs
- Repaid over 7 years
- First time home buyers living or working in Rockville and purchasing in City
- \$91,500 Income Limit

OTHER JURISDICTIONS (II)

■ City of Frederick:

■ “Sold on Frederick II”

- 0% deferred loans up to \$15,000 for down payment and/or closing costs
- Repaid upon sale or refinancing
- First time homebuyers purchasing within City and earning no more than 80% AMI
- Uses CDBG funds

OTHER JURISDICTIONS (III)

- **Frederick County, Maryland**
 - 0% deferred loans up to \$5000 for closing costs
 - First time homebuyers purchasing in Frederick County
 - Can earn no more than 70% AMI
 - Repaid upon sale or refinancing

OTHER JURISDICTIONS (IV)

- **Falls Church, Virginia**
 - **Down Payment/Closing Cost Program**
 - Up to \$20,000
 - 0% interest
 - Repaid upon sale or refinancing

OTHER JURISDICTIONS (V)

■ Cambridge, Massachusetts

- Down payment and/or closing cost assistance
- Grant up to 6% of sale price of home
- 20% of grant forgiven each year over 5 year period
- First time homebuyer earning no more than 80% AMI

OTHER JURISDICTIONS (VI)

■ City of Austin, Texas

- 0% deferred loan for down payment
- Up to \$10,000 for households earning no more than 80% AMI
- Repaid Upon Sale or Refinancing
- Forgiven after 10 years of ownership

OTHER JURISDICTIONS (VII)

■ Pinellas County, Florida

- 0% deferred loan up to \$15,000 for down payment assistance
- Available to households earning up to 120% AMI
- Repayment begins after 5 years
- Maximum home purchase price applies

WEST DEER PARK REVIEW

■ Review of Program Elements

- \$220,000 allocated
- \$8,500-\$10,000 grants
- Must purchase home within 1 year
- Income and purchase price limits apply
- Administered by HOC

WEST DEER PARK (II)

■ What Worked Well:

- Approximately 55 families received homeownership counseling presented by HOC in English and Spanish
- 7 former tenants own homes
- All remain in good standing

WEST DEER PARK (III)

■ **Lessons Learned:**

- 1 year purchase period too short
 - 3 year window better suited to population
- Increased outreach to residents required
 - Poll residents early to determine participation
 - Provide homeownership counseling earlier in the process
 - Collect resident contact information

WEST DEER PARK (IV)

■ **Lessons Learned** (continued)

- Vacancy level affected participation
- High housing prices affected participation
- Households earning below 50% AMI unlikely to afford home purchase
- Higher grant amounts (i.e. \$15,000) would have likely increased participation

PROGRAM OPTIONS

- **Option I: West Deer Park Model (with modifications)**
 - Direct grant to applicants
 - Lengthen grant availability to 3 years
 - Require pre-commitment by participants
 - Improve outreach and communication

PROGRAM OPTIONS (II)

- **Option II: Deferred Loan**
 - 0% interest
 - deferred loan
 - Repayable upon sale or refinancing

PROGRAM OPTIONS (III)

- **Option II: Loan at Low Interest (County Model)**
 - Short term loan (10 years)
 - 5% interest

PROGRAM BUDGET

- **\$300,000 Available**
 - \$147,000 remaining from West Deer Park Pilot Program
 - \$153,000 in new funds allocated

FUNDING SOURCES

■ CDBG

- May be used to fund grants/loans to households earning up to 80% AMI
- Subject to standard federal restrictions and reporting requirements

FUNDING SOURCES (II)

- **CDBG Funding** (continued)
 - 55% of Broadstone residents earn below 60% AMI (CDBG eligible)
 - 25% of Broadstone residents earn between 60-80% AMI (CDBG eligible)
 - Total CDBG eligible: 80% of tenants

FUNDING SOURCES (III)

- **CDBG funding** (continued)
 - 20% of Broadstone residents earn above 80% (not eligible)
 - Total CDBG ineligible: 20% of tenants

FUNDING SOURCES (IV)

■ **CDBG Funding** (continued)

■ Pros:

- Clearly identifiable
- Does not drain City resources
- Renewable
- Serves needy population
- Meets national objectives set by HUD

FUNDING SOURCES (V)

■ **CDBG** (continued)

■ Cons:

- Administratively burdensome
- Does not serve households earning over 80% AMI

FUNDING SOURCES (VI)

■ Permit Fees

■ Pros:

- Clearly identifiable
- Discrete source of funds for each redevelopment
- Connects redevelopment directly to need to assist displaced residents
- Loss of permit revenues would be offset over time due to increased City revenues generated by redeveloped projects

FUNDING SOURCES (VII)

■ **Permit Fees** (continued)

■ Cons:

- Impact on City budget
- Depletes resources for other City uses

FUNDING SOURCES (VIII)

- **Special Relocation Fee Assessed on Developers**
 - Pros:
 - Clearly identifiable
 - Places burden on developer
 - No negative impact on City budget
 - Connects redevelopment directly to need to assist displaced residents

FUNDING SOURCES (IX)

- **Special Relocation Fee Assessed on Developers**
 - Cons:
 - Developer objections
 - Jeopardize project viability

POLICY ISSUES

■ Policy Question I:

Should the program be grant-based, loan-based, or some combination?

POLICY ISSUES

■ Policy Question II:

How should the program be funded?

POLICY ISSUES

■ Policy Question III:

May participants purchase units
outside of the City?

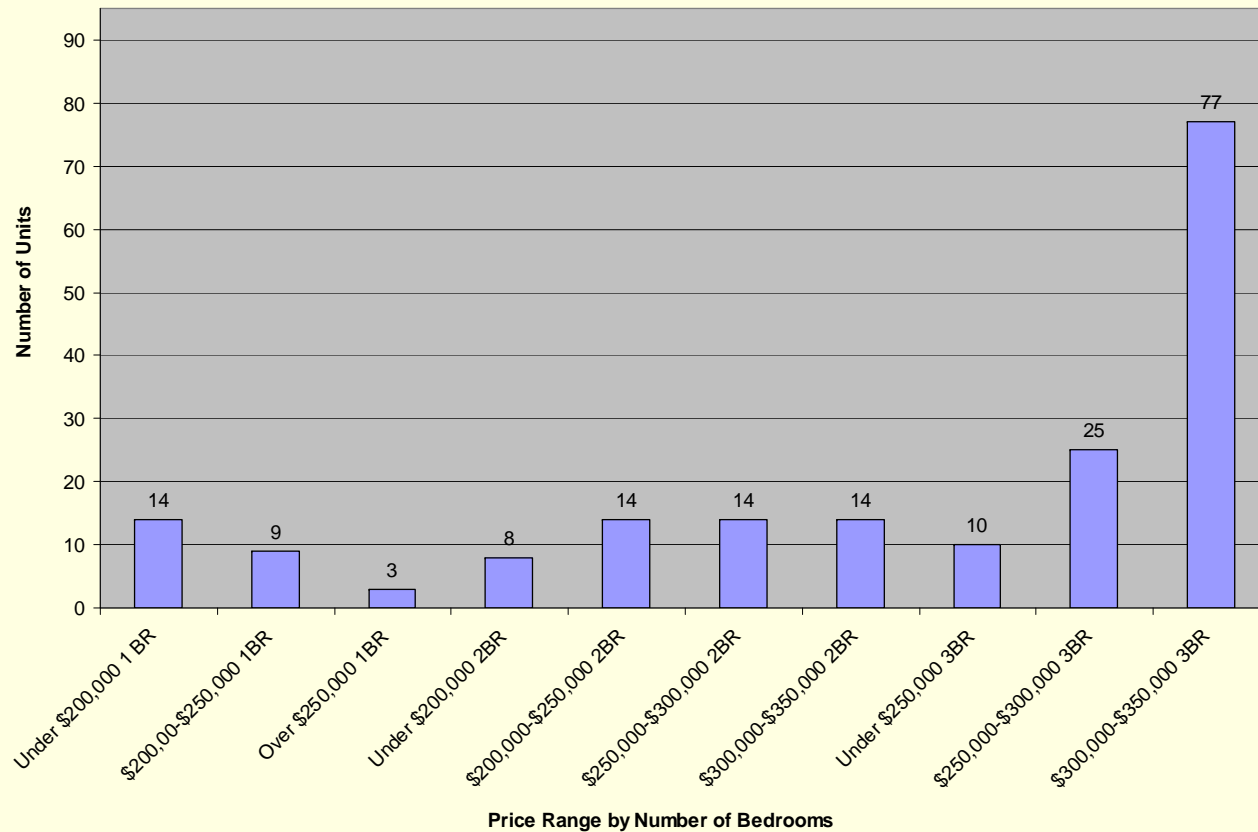
POLICY ISSUES

■ Policy Question IV:

How large of a grant or loan should be made available to residents?

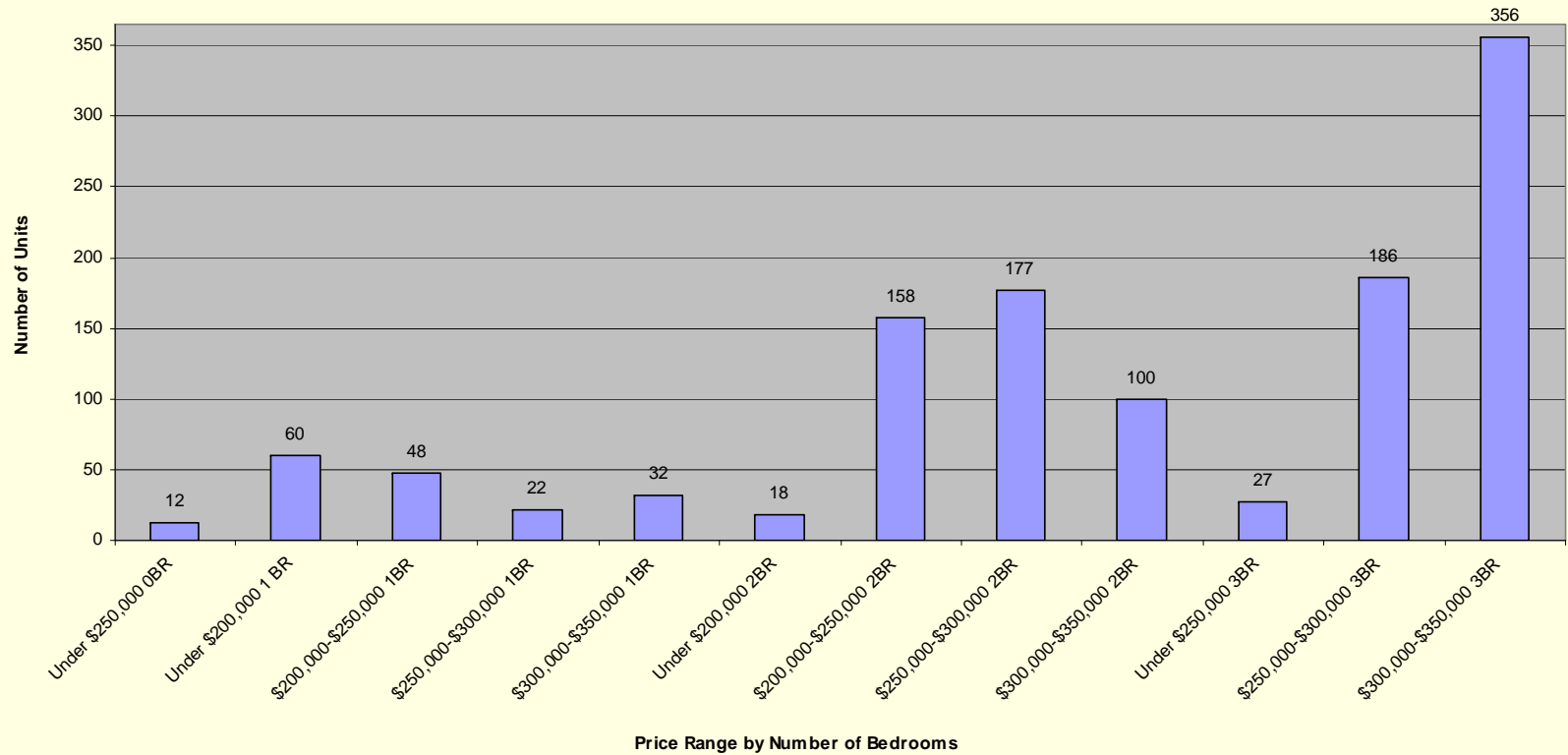
FOR SALE UNITS IN GAITHERSBURG

JULY 3, 2007



FOR SALE UNITS IN MONTGOMERY COUNTY

JULY 3, 2007



FOR SALE UNITS IN MONTGOMERY COUNTY AT OR BELOW \$350,000 (0 – 3 BR)

- 12 - efficiency (0) BR \leq \$250,000
- 162 - 1 BR \leq \$350,000
- 453 - 2 BR \leq \$350,000
- 569 - 3 BR \leq \$350,000

- Total: 1,196

FOR SALE UNITS IN GAITHERSBURG AT OR BELOW \$350,000 (1, 2, & 3 BR)

- 26 - 1 BR \leq \$350,000
- 50 - 2 BR \leq \$350,000
- 112 - 3 BR \leq \$350,000

- Total: 188

MEMORANDUM TO: Mayor and City Council

VIA: David B. Humpton, City Manager *DH*

FROM: Mary Boyle, Affordable Housing Coordinator *MB*

DATE: July 19, 2007

SUBJECT: Analysis of Loan Amount for Homeownership Program

During the July 16, 2007 work session, a number of Council Members suggested that the City should consider zero interest deferred loans of up to \$20,000 for households earning less than 80% of Area Median Income (thus eligible for Federal CDBG funds) in an effort to provide more families with the opportunity to purchase homes.

After a brief discussion, the Mayor and City Council asked staff to develop a worksheet that demonstrates the impact of a deferred loan at various levels of funding.

Using household income for a family of four at 80% of median, the affordable monthly payment is \$1890, based on the standard 30% ratio of income to housing costs. Using a 6% interest rate, the worksheet demonstrates various monthly payments that would result depending on varying loan amounts from a City program. As the worksheet indicates, houses priced at \$350,000 and above do not fall within the affordable range, even with the addition of a \$20,000 deferred loan from the City. At \$300,000 houses become barely affordable with the addition of \$10,000 in City assistance.

Using household income for a family of four at 60% of median, the affordable monthly payment is \$1,419. Accordingly, the maximum home price they could afford to purchase would be \$225,000.

I hope this information is helpful. If you have any questions or wish to discuss this matter, please feel free to contact me.

MB/ms
Attachment

Home Price	Plus Settlement Costs (8%)	Minus 3% Downpayment	Minus City Deferred Loan	Total Mortgage Required	Monthly Payment At 6% Interest	Affordable Payment (at 80% AMI)	Affordable Payment (at 60% AMI)
\$400,000	\$32,000	\$12,000	\$20,000	\$400,000	(\$2,398.20)	\$1,890	\$1,419
\$400,000	\$32,000	\$12,000	\$18,000	\$402,000	(\$2,410.19)	\$1,890	\$1,419
\$400,000	\$32,000	\$12,000	\$15,000	\$405,000	(\$2,428.18)	\$1,890	\$1,419
\$400,000	\$32,000	\$12,000	\$10,000	\$410,000	(\$2,458.16)	\$1,890	\$1,419
\$350,000	\$28,000	\$10,500	\$20,000	\$347,500	(\$2,083.44)	\$1,890	\$1,419
\$350,000	\$28,000	\$10,500	\$18,000	\$349,500	(\$2,095.43)	\$1,890	\$1,419
\$350,000	\$28,000	\$10,500	\$15,000	\$352,500	(\$2,113.42)	\$1,890	\$1,419
\$350,000	\$28,000	\$10,500	\$10,000	\$357,500	(\$2,143.39)	\$1,890	\$1,419
\$300,000	\$24,000	\$9,000	\$20,000	\$295,000	(\$1,768.67)	\$1,890	\$1,419
\$300,000	\$24,000	\$9,000	\$18,000	\$297,000	(\$1,780.67)	\$1,890	\$1,419
\$300,000	\$24,000	\$9,000	\$15,000	\$300,000	(\$1,798.65)	\$1,890	\$1,419
\$300,000	\$24,000	\$9,000	\$10,000	\$305,000	(\$1,828.63)	\$1,890	\$1,419
\$275,000	\$22,000	\$8,250	\$20,000	\$268,750	(\$1,611.29)	\$1,890	\$1,419
\$275,000	\$22,000	\$8,250	\$18,000	\$270,750	(\$1,623.28)	\$1,890	\$1,419
\$275,000	\$22,000	\$8,250	\$15,000	\$273,750	(\$1,641.27)	\$1,890	\$1,419
\$275,000	\$22,000	\$8,250	\$10,000	\$278,750	(\$1,671.25)	\$1,890	\$1,419
\$250,000	\$20,000	\$7,500	\$20,000	\$242,500	(\$1,453.91)	\$1,890	\$1,419
\$250,000	\$20,000	\$7,500	\$18,000	\$244,500	(\$1,465.90)	\$1,890	\$1,419
\$250,000	\$20,000	\$7,500	\$15,000	\$247,500	(\$1,483.89)	\$1,890	\$1,419
\$250,000	\$20,000	\$7,500	\$10,000	\$252,500	(\$1,513.87)	\$1,890	\$1,419
\$225,000	\$18,000	\$6,750	\$20,000	\$216,250	(\$1,296.53)	\$1,890	\$1,419
\$225,000	\$18,000	\$6,750	\$18,000	\$218,250	(\$1,308.52)	\$1,890	\$1,419
\$225,000	\$18,000	\$6,750	\$15,000	\$221,250	(\$1,326.51)	\$1,890	\$1,419
\$225,000	\$18,000	\$6,750	\$10,000	\$226,250	(\$1,356.48)	\$1,890	\$1,419

Fred Felton - BROADSTONE HOMEOWNERSHIP ASSISTANCE PROGRAM II

From: "Thomas Cowley" <cowleythc@comcast.net>
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Date: 08/14/2007 10:36 AM
Subject: BROADSTONE HOMEOWNERSHIP ASSISTANCE PROGRAM II

Good Morning Fred

Attached is the draft of the tenants key elements for a Broadstone Residents Homeownership Assistance program.

Could we meet at your office at 7:30 pm this evening to discuss.?

Tom Cowley

240 631 8852 ext19

301 806 8337 cell

BROADSTONE HOMEOWNERSHIP ASSISTANCE PROGRAM

Gaithersburg City Council has long supported home ownership as a fundamental benefit to the community and it is a desirable goal of the city to implement programs and policies that effectively enable and encourage homeownership.

The matter of the approximately 350 families of the Broadstone Apartments is a special case. These residents are being displaced through no initiative of their own but as an accommodation to the redevelopment of the Broadstone apartments. This displacement is a serious financial burden for all the residents and is even devastating for those who were interested in taking actions toward homeownership.

It is well understood that the two most common deterrents to home ownership, especially in high cost areas such as the one in which we live, is the inability to accumulate the funds to cover a down payment and the associated real estate settlement costs. When combined these two deterrents are equal typically to six to eight percent of the purchase price of a home.

A special program should be established by Gaithersburg City Council that has the sole goal of providing homeownership assistance to all interested and qualified Broadstone residents. The program should be established to address this special class of **DISPLACED** residents.

KEY ELEMENTS OF PROGRAM

A. ELIGIBILITY: All Broadstone residents who, with the DISPLACED RESIDENTS HOMEOWNERSHIP ASSISTANCE PROGRAM, can qualify for a mortgage with the lender of their choice. Not restricted to FIRST TIME HOMEBUYERS. This is a special program for DISPLACED Broadstone residents and a resident who may have owned a home in the recent past should not be disqualified. The resident must complete a homeownership class or seminar acceptable to their lender and the City to be eligible.

B. LENGTH OF TIME FUNDS TO BE AVAILABLE / LENGTH OF TIME TO APPLY:

Funds should be available for a minimum of twelve months beyond the completion of construction of the new units at Broadstone or for three years from the deadline for tenants to vacate the Broadstone, whichever is later.

C. FORM OF ASSISTANCE: Shall be a LOAN / GRANT combination. The loan would be interest free without requirement of repayment for ten years or until sale or change of primary residence whichever occurs first. Beginning in the eleventh year the curtailed loan balance will become a fifteen year (15) year installment loan requiring 180 equal monthly payments to the City. Upon sale the equity would be shared between the property owner and the City of Gaithersburg. The City share of equity is capped at the original loan amount minus 10% per each twelve months of ownership. The minimum City share shall be 50% of the original loan. Upon change in primary residence the loan balance is due and payable in lump sum. If upon sale the equity is not sufficient to pay the balance due on the loan it shall be forgiven. In the case of a subject property outside of Montgomery County Maryland there shall be no curtailment in the original loan amount.

D. LOCATION OF PURCHASED PROPERTY Loan/Grant can be used for purchase without restriction to specific area.

E. AMOUNT OF LOAN / GRANT The assistance will two tiers. Tier ONE will be \$25,000 loan/grant and Tier TWO will be a \$40,000 loan/grant. Tier ONE applies to residents who are qualifying for their mortgage with incomes above eighty per cent of the Area Median Household Income (AMHI) as established by U. S. Department of Housing and Development for the locality in which the subject property is located. Tier TWO

applies to residents who are qualifying for their mortgage with income below eighty percent of the Area Median Household Income for the locality in which the subject property is located.

- F. TITLE/LIEN STATUS** The Loan /Grant will be in the form of a covenant and not recorded as a junior lien. Also, the Loan/Grant will not be reported to Credit Bureaus as debt.
- G. USE WITH OTHER ASSISTANCE** Recipients shall not be prohibited by the City of Gaithersburg from using the program funds in conjunction with MPDU program or any other program or form of assistance for which the resident would otherwise be eligible.
- H. RESTRICTIONS ON FUND USE** These funds can be used only for the purchase of a primary residence and can be used for either down payment or closing costs including prepaid items required by the lender.

DRAFT

AGREEMENT BETWEEN THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AND THE CITY OF GAITHERSBURG

This Agreement is entered this _____ day of _____ 2007, by and between the Housing Opportunities Commission of Montgomery County (HOC), whose mailing address is 10400 Detrick Avenue, Kensington, Maryland 20895, and the City of Gaithersburg (the "City" or "Gaithersburg"), a municipal corporation with offices at City Hall, 31 South Summit Avenue, Gaithersburg, Maryland 20877. Under the terms of this Agreement, HOC shall administer Gaithersburg's Residential Redevelopment Homeownership Program, in exchange for a fee of \$1,000 per loan issued under this Program.

RECITALS

1. On July 9, 2007, the Mayor and City Council approved Schematic Development Plan (SDP) 06-004 which calls for the complete redevelopment of the existing Broadstone Apartment complex at the intersection of MD 355 and West Deer Park Road in Gaithersburg, Maryland. This approval was deemed in the public interest because of the dilapidated condition of the existing apartments; however, the Mayor and City Council recognize the redevelopment may cause hardship to the residents of the Broadstone Apartment complex and have therefore authorized the adoption of a program to provide home ownership assistance to eligible households displaced as a result of the redevelopment; and
2. HOC has agreed to administer a residential redevelopment homeownership assistance program on behalf of the City, using \$300,000 in City funds designated for otherwise eligible households earning above 80 percent of Area Median Income (AMI). In addition, \$100,000 in Community Development Block Grant (CDBG) assistance has been designated to fund the Program for households earning at or below 80 percent of AMI and who are otherwise eligible under federal regulations and the terms of the Program. Additional CDBG funds will be made available as needed; and
3. Program participants may secure financing through one of HOC's participating lenders, or through a non-HOC mortgage finance company of their choice; and
4. The City entered this Agreement with HOC as a "sole source vendor" given HOC's successful administration of the West Deer Park Pilot Program, and its extensive experience in all aspects of underwriting and administering mortgage and closing cost assistance programs. Such experience includes HOC's execution of agreements with Montgomery County on similar programs. In addition, HOC has the authority to issue tax-exempt bonds, which allows it to work with lenders who offer financing at lower-than-prime interest rates.

NOW, THEREFORE, in consideration of the conditions stated herein, the parties agree to the following:

1. The Recitals set forth above are hereby incorporated to the same extent as if fully set forth herein.
2. The City covenants and agrees to fund a residential redevelopment homeownership assistance program using \$300,000 in City funds to provide closing cost and/or down payment assistance to eligible residents displaced from Broadstone Apartments and West Deer Park Apartments.
3. The City covenants and agrees to designate \$100,000 in CDBG funds to finance the residential redevelopment homeownership assistance program for households eligible under federal regulations and the terms of the Program. The City covenants and agrees to designate additional CDBG funds in excess of \$100,000 as needed.
4. The City covenants and agrees to provide eligible qualified residents closing cost and/or down payment assistance in the form of zero-interest deferred loans and to pay HOC a fee of \$1,000 for each approved loan issued on the City's behalf according to the procedures set forth in this Agreement.
5. Excluding funds provided through CDBG, in no event shall the total combined amount of all approved loans and all administrative fees charged by HOC exceed \$300,000 in City funds as allocated in the adopted FY08 budget. Any loans or administrative expenditures, excluding CDBG funds, that exceed the \$300,000 cap shall be the sole responsibility of HOC and shall not be reimbursed with City funds.
6. Except as otherwise provided for in this Agreement, funds not fully expended by September 30, 2010 shall no longer be available to displaced tenants.
7. Subject to the Program's eligibility criteria, repayment obligations, and other requirements, as set forth in this Agreement, qualified households earning up to 80 percent of the most recently published Washington-DC Metropolitan AMI who purchase a home within the corporate City limits are eligible to receive a \$20,000 zero-interest deferred loan using CDBG funds to assist with down payment and/or closing costs. Qualified households earning up to 80 percent of AMI who purchase in Montgomery County, but outside of corporate City limits, are eligible to receive a \$15,000 zero-interest deferred loan using CDBG funds.
8. Subject to the Program's eligibility criteria, repayment obligations, and other requirements, as set forth in this Agreement, qualified households earning more than 80 percent of AMI who purchase a home within the corporate City limits are eligible to receive a \$15,000 zero-interest deferred loan using City funds to assist

with down payment and/or closing costs. Qualified households earning more than 80 percent of AMI who purchase in Montgomery County, but outside of corporate City limits, are eligible to receive a \$10,000 zero-interest deferred loan using City funds.

9. The full amount borrowed shall be due and payable upon the re-sale or refinancing of a unit purchased with any loan funds provided under this Program or upon the purchase of a second residential property, except that loan recipients may secure a one-time home equity line of credit up to \$10,000 without triggering repayment. Recipients who receive any subsequent or additional lines of credit, regardless of the amount, shall be required to repay the full amount of any loan disbursed under this Program at the time a second or additional line of credit is secured.
10. If during the term of this Agreement the Mayor and City Council approve additional residential redevelopments not contemplated herein, the City may elect to make tenants displaced by such redevelopment eligible for homeownership assistance under the terms of this Agreement. Upon notification by the City, HOC shall administer the terms of the Program with respect to those tenants provided the total combined amount of disbursed loans and administrative fees charged by HOC does not exceed the \$300,000 in City funds allocated in the FY08 budget. Funds in excess of \$300,000 may be disbursed only if the City expressly agrees in writing to allocate additional City funds for this purpose. Additional CDBG funds may also be made available as necessary. The City may exercise its discretion to extend purchasing and other deadlines set forth in this Agreement for displaced tenants from residential redevelopments not specifically delineated herein and shall notify HOC of applicable deadlines for those tenants as necessary.
11. HOC covenants and agrees to administer the Program on behalf of the City and to monitor its implementation in conformance with all applicable laws and regulations, including but not limited to, all federal laws and regulations pertaining to the use of CDBG funds.

ENUMERATION OF DUTIES

1. HOC shall administer the Program on behalf of the City under the terms set forth in this Agreement.
2. On or before October 8, 2007, HOC shall provide all persons who were Broadstone leaseholders as of July 9, 2007 a written description specifying the details of the Program, including eligibility criteria and the terms of the various options available to the residents. As determined appropriate by the City, documents shall be provided in both English and Spanish. The City shall make these translated documents available to HOC in a timely manner.

3. Any household displaced from Broadstone Apartments or West Deer Park Apartments who wishes to participate in the homeownership assistance program must submit a "Certificate of Interest" to HOC by April 1, 2008 and must close on the property by September 1, 2010. Certificates of Interest forms shall be issued by HOC and be made available to displaced tenants through HOC, City offices and staff, and through all other appropriate means of distribution.
4. Only leaseholders having a credit report score of 500 or higher on at least one credit report shall be eligible to receive a loan under the terms of the Program. Leaseholders with credit scores of 499 or lower shall be ineligible to receive a loan. However, leaseholders with credit scores below 500 are not precluded from submitting a Certificate of Interest as set forth in this Agreement and may be eligible for a loan under the Program provided they secure a minimum credit score of 500 at least thirty days prior to the execution of a purchase contract.
5. HOC shall ensure that leaseholders receiving assistance through this Program:
 - a. Complete homeownership counseling provided by HOC or its designee unless otherwise approved by the City; and
 - b. Understand the obligation to repay, without interest, 100% of any loan provided under this Program if, except as otherwise provided for in this Agreement, they refinance, sell or no longer occupy the home as their sole residence any time following settlement.
6. HOC shall ensure that leaseholders who secure financing through one of HOC's participating lenders comply with all applicable regulations and requirements, including, but not limited to, the following:
 - a. Leaseholders must not have owned a home for a period of at least 3 years prior to the date of settlement and must occupy the unit purchased with funds under this Program as their only residential property.
 - b. Only leaseholders proceeding with financing through an HOC lender are eligible for HOC's Mortgage Purchase Program and Closing Cost Assistance program as well as Montgomery County's Closing Cost Assistance Loan program and the Community Legacy Loan program.
7. HOC shall ensure that all homebuyers, whether proceeding with financing through an HOC or a non-HOC lender, meet HOC's loan documentation standards, which require full documentation (through tax returns, various affidavits, and other records) of the homebuyer's income and eligibility for assistance. Such loan documentation standards preclude participants from securing financing through a "no-documentation" mortgage.

8. For homebuyers who proceed with a non-HOC lender, HOC shall contact these lenders and request that the lenders provide HOC all loan documents. Such documentation must include evidence of the homebuyer's income and eligibility for assistance. HOC shall review these documents and recommend approval or disapproval of the loan.
9. If HOC recommends approval, HOC shall contact the settlement company, issue a check to the settlement company in the amount of the approved loan, and send the check with a letter of instruction.
10. If HOC recommends disapproval, it will so inform the City, identifying the basis of such disapproval, and forward all relevant information to the City Manager's Office for final review. If the City overrules HOC's determination and approves the loan, HOC shall administer the loan funds as set forth under the terms of this Agreement.
11. HOC shall execute a lien on the property specifying the loan amount and the purchaser's obligation to repay upon resale or refinancing of the property.
12. HOC shall prepare and execute a covenant specifying the homebuyer's obligation to repay the full loan amount at the time of sale or refinancing of the property and containing owner occupancy obligations. The covenant shall be executed at the time of settlement and recorded immediately thereafter. The covenant shall require that both the City and HOC be notified in the event the property is sold, refinanced, or is no longer owner-occupied. The covenant shall indicate the homebuyer's obligation to repay runs between the homebuyer and HOC, which shall forward any repaid funds to the City within 30 days of receipt of said funds.
13. HOC shall disburse loan funds at settlement and shall invoice the City at a rate of \$1,000 per loan issued. Payments for budget-approved expenditures shall be made within 10 days of the City's receipt of HOC's invoices which shall include settlement sheets, loan documentation and notification by HOC as to the appropriate source of funds to be disbursed for each invoiced loan based on the income of recipient households. Eligible recipient households earning at or below 80% of AMI shall receive loans using CDBG funds and eligible recipient households earning above 80% shall receive loans using City funds.
14. HOC shall monitor loans disbursed under the Program according to the source of funds through which a loan is provided. Upon repayment of any loan disbursed under the Program, HOC shall notify the City as to whether the loan was disbursed using City funds or CDBG funds and direct repayment to the appropriate account accordingly.
15. HOC shall submit quarterly reports containing information on all homebuyers purchasing a home within that quarter and all those who submitted applications but whose applications were denied. Reports shall include recorded covenants as

well as all information necessary to comply with federal CDBG reporting requirements, including, but not limited to: participant's name, race/ethnicity and income; address of unit; purchase price; loan amount; whether an HOC lender was used, and whether City funds or CDBG funds were used to support each approved loan. Reports are due to the City within 30 days of the last day of the previous quarter.

16. The term of this contract commences upon execution of the Agreement and shall terminate following re-payment of the final loan issued under this program and submission of a final report to the City by HOC.

CONDITIONS

Suspension and Termination

This Agreement may be terminated by the City in whole or in part, whenever, in the opinion of the City, HOC has defaulted in the timely performance of this Agreement, failed to make satisfactory progress in the prosecution of the work hereunder, or endangered such performance and failed to cure such default within ten (10) days of receiving written notification from the City specifying the default. The City's findings of fact and decisions made regarding termination for default shall be final and conclusive. In addition, the City and HOC may terminate this Agreement in whole or in part, when the parties mutually agree that termination will be in the best interests of both parties.

Assignment and Subgranting

HOC shall not assign or transfer this Agreement or any right, benefit or interest in or claim thereunder except as expressly authorized in writing by the City.

Independent Contractor

HOC will perform its responsibilities under this Agreement as an independent contractor and will not be considered an agent of the City. Nor shall any of HOC's employees or agents be considered sub-agents of the City.

Immunities and Defenses

The parties to this Agreement acknowledge that the City, including its officers, agents and assigns, retains and does not waive any privileges, immunities or defenses, including without limitation public official, sovereign or government immunity retained at common law and as set forth in Maryland Code Ann., Courts and Judicial Proceedings Article, §5-507 (2002).

Partial Invalidity

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision shall remain in full force and effect.

Limited Indemnification and Liability

HOC agrees to indemnify the City and its officers, successors and assigns, for loss or injury to persons or property and any damages or other expenses (including attorneys' fees) incurred by the City as a result of the negligent or willful conduct of HOC or its officers, agents or assigns under this Agreement, but only to the extent that funds have been lawfully appropriated by the Maryland General Assembly to pay such indemnity, and then only to the limits of the available appropriated funds.

SPECIAL CONDITIONS (FEDERAL):

In accordance with 24 C.F.R. §570.502 (a) and (b) the Grantee must comply with all Federal laws, regulations, and requirements, including amendments thereto, applicable to CDBG grants and/or loans.

The Grantee agrees and certifies, with respect to lobbying, to the following:

1. No federal appropriated funds have been paid or will be paid, by or on behalf of the Grantee, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, in connection with the awarding of any federal contract, the making of any federal grant or loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan or cooperative agreement.
2. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with this federal contract, grant, loan or cooperative agreement, the Grantee must complete and submit an executed "Disclosure Form to Report Lobbying," in accordance with instructions provided therein.
3. No employee, agent, consultant, officer, or appointed official of HOC may obtain a financial interest in or benefit from this assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG assisted activity or with respect to the proceeds of the CDBG assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. A request for exception to this requirement must be submitted in writing and, upon recommendation by the City Manager, will be forwarded to the U.S. Department of Housing and Urban Development for consideration and final action.

Entire Agreement

This Agreement constitutes the entire agreement between the parties, and they shall not be bound by any terms, conditions, statements, warranties or representations, oral or written, not herein contained.

Key Personnel

The following persons are key personnel for purposes of administering this Agreement:

Tom DeBrine, Manager of Single Family Programs, HOC

Mary T. Boyle, Affordable Housing Coordinator, City of Gaithersburg

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement by causing the same to be signed as of the day and year first above written.

ATTEST: City of Gaithersburg

Date	David B. Humpton, City Manager
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WITNESS:

Date	Witness
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ATTEST: Housing Opportunities Commission of Montgomery County

Date	D. Scott Minton, Executive Director
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WITNESS:

Date	Witness
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