

COLUMBIA DOWNTOWN HOUSING CORPORATION

6751 Columbia Gateway Drive, Third Floor
Columbia, Maryland 21046

February 27, 2015

The Honorable Allan H. Kittleman
County Executive
Howard County, Maryland
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

The Honorable Mary Kay Sigaty, Chairperson
County Council
Howard County, Maryland
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

SUBJECT: Report on Columbia Downtown Housing Corporation's Recommendations in Response to Howard County Council Resolution No. 120-2014

The Board of Directors ("**Board**") of the Columbia Downtown Housing Corporation ("**CDHC**") is pleased to present CDHC's recommendations in response to Council Resolution No. 120-2014 (the "**Resolution**"). These recommendations are the result of more than two years of extensive discussions and negotiations with stakeholders and interested parties, significant community outreach, consultation with other jurisdictions, and thoughtful deliberation over the past four months. CDHC believes that implementation of its recommendations will ensure the development of a full spectrum of affordable housing in Downtown Columbia ("**Downtown**") that is envisioned by the downtown Columbia Plan (the "**Plan**"). Please find the recommendations attached as Appendix I.

INTRODUCTION

When the Council adopted the Resolution on October 29, 2014, it recognized that CDHC's extensive efforts to achieve a full spectrum of affordable housing in Downtown had identified fundamental challenges that made it very difficult to achieve the Plan's vision for affordable housing without legislative changes. The Resolution requested that CDHC "recommend legislative changes believed necessary and appropriate, which may include amendments to either the General Plan, Zoning Regulations, or County Code to ensure that the Plan's vision for a full spectrum of affordable housing can be achieved." In developing its recommendations, CDHC was asked to "solicit input from a variety of stakeholders in Downtown and was provided with a non-exhaustive list of stakeholders.

CDHC's legislative recommendations are intended to ensure that the Plan's vision is achieved and are based on the following:

- (1) input from stakeholders identified in the Resolution and other interest groups;
- (2) CDHC's research into the inclusionary zoning practices of nearby jurisdictions; and
- (3) the challenges to developing affordable housing encountered by CDHC during the past two years;

STAKEHOLDER INPUT

As its meeting in November, the Board reviewed the list of stakeholders identified in the Resolution and divided them into three groups: Developers, Businesses/Employers, and Community Groups. The Board created three committees to meet with each set of stakeholders.

Stakeholder representatives met with CDHC board members over the next three months. Input was solicited from a total of 18 stakeholders, including the 12 that were explicitly named in CR 120-2014. The stakeholders represented a wide array of organizations with each having its own unique perspective about the development of Downtown. A list of the stakeholders who met with CDHC Board members is attached as Appendix II.

A recurring theme from the meetings was general support for the availability of affordable housing in Downtown, although, understandably, there were differences as to how to achieve that goal. It should be mentioned that some stakeholders did not agree that the Plan should be changed while others supported changes even more extensive than those being recommended. All opinions were carefully considered in developing the final recommendations.

A number of stakeholders expressed the view that it would be unfair to modify the legislation previously adopted by the Council. CDHC understands this position, but believes the Council's intention has always been to have a diverse Downtown with a full spectrum of housing. Based on experiences so far, CDHC does not believe the County's (and the community's) expectations will be realized unless the original legislation is modified.

On February 16th a draft of the legislative recommendations was circulated to all stakeholders and comments were invited. Attached as Appendix III are copies of all written comments received.

RESEARCH

Because the Downtown district will bring a level of urbanization that would be a "first-of-its-kind" in Howard County, CDHC asked the Howard County Department of Housing and Community Development to study how nearby jurisdictions incorporate affordable housing into areas like Downtown. The jurisdictions studied included Montgomery County, Maryland and Fairfax County, Virginia, both of which have longstanding inclusionary zoning programs and are experiencing a large amount of development similar to that of Downtown.

The research indicated that an inclusionary zoning requirement was perhaps the most useful tool in ensuring the development of affordable units. Another observation was that the high-rise projects that populate these urbanized districts tend to have high costs that make it appropriate to consider options to help offset some of those costs to developers. In order to encourage development of affordable housing, some of the options included a bonus density and reduction in parking ratios. The jurisdictions use these incentives to encourage development of affordable housing units in excess of the inclusionary zoning requirements. The Council may consider those and any other incentive they think appropriate that would facilitate the development of affordable housing.

CHALLENGES

In December 2012, the Board set a goal to have 15% of the new residential units in Downtown serve families with an average income of 50% of Howard County area median. As explained in both of its annual reports, CDHC has faced significant challenges in meeting its goal and ensuring development of affordable housing in Downtown. Attached as Appendix IV and V are copies of the reports which detail CDHC's activity through March 2014.

The Plan currently allows developers to pay a fee into the Downtown Columbia Housing Fund (the "Fund") for each market-rate unit developed in Downtown in lieu of building any affordable units in Downtown. Based on its efforts to date, the Board has concluded that the availability of the Fund will not be sufficient to achieve a result anywhere near its goal. CDHC has attempted to negotiate with various developers and has been unsuccessful in obtaining any legal commitment to build affordable housing. To date, the first phase of the 380 unit Metropolitan project which is nearing completion has no affordable units and there is no commitment for affordable units in the second phase of the project, which is to contain 437 units.

CDHC has had discussions with the Master Developer, Howard Hughes, and a number of developers who are engaged in the development of residential units in Downtown. Discussions explored whether the monies in the Fund could provide financing or other incentives in exchange for commitments to build affordable housing. In those discussions, some developers indicated a willingness to provide affordable housing if a rental subsidy were provided. Another developer considered using our funds to provide favorable financing but those discussions have not resulted in any formal agreement. Both of these approaches, however, would result in a very limited number of long-term affordable units.

It is clear that, to this point, developers have determined that it is more advantageous to pay the fee than to build affordable units. CDHC has no reason to believe that this will change without the current legislation being modified. Although all interested parties with whom Board members spoke, including developers, voiced strong support for affordable housing in Downtown, there was little consensus or direction about how to accomplish the objective. CDHC believes that under the

current legislative scheme, the amount of affordable housing in Downtown will fall far short of its goal.

PRINCIPLES FOR RECOMMENDATIONS

CDHC has concluded that without a legal requirement that affordable housing be built in Downtown, the County will be unable to achieve its goal of having a broad spectrum of housing in Downtown. CDHC's recommendations address more than the numerical requirements for building affordable housing. They also embody certain principles necessary to achieve a truly diverse and thriving Downtown. These principles include the following:

- (1) Affordable housing goals should be achieved in the Downtown area defined in the Plan and not nearby neighborhoods;
- (2) Affordable housing should be located throughout Downtown and not concentrated in one area;
- (3) Affordable housing should be in mixed-income developments;
- (4) There should be a range of incomes served by affordable housing from 40% to 80% of Howard County Area Median;
- (5) If the County acquires land in Downtown the first priority use for the land should be affordable housing;
- (6) Project owners should be incentivized to offer the bulk of their affordable units at rents that are affordable to households with incomes on the lower end of the range noted in (4) above.

Our recommendations also reflect concerns expressed by developers about the potential economic impact of modifying the current legislation. The proposed modifications have been designed to provide both flexibility and relief from the unit fee in order to facilitate development of affordable housing units.

RECOMMENDATIONS

Our recommendations in Appendix 1 are in a form to guide the drafting of actual legislation. The key parts of our recommendations are as follows:

- (1) CDHC's original goal was that 15% of housing be affordable to households at an average of 50% of AMI. After hearing developer's concerns, the proposal is that 15% of housing be available to households at an average of 60% AMI with 1/3 at 40%, 1/3 at 60% and 1/3 at 80%. This recommendation is closer to the requirement in other areas of the County which require a minimum of 15% MIHU.

- (2) Although CDHC's 15% was intended to cover the entire Downtown area, CDHC recognizes that the Metropolitan projects are already underway and would exempt those projects from any legislative modifications.
- (3) Payment of the residential unit fee would be eliminated.
- (4) The proposal establishes minimum and maximum numbers of affordable units in any project and allows for flexible affordable housing development within those parameters.
- (5) The proposal establishes incentives to create more of the units at the 40% of median income range.

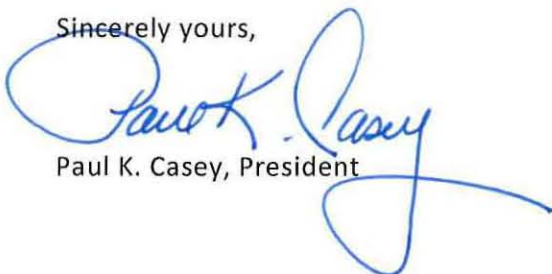
CONCLUSION

In the four months since the Council passed CR 120, CDHC has held five public meetings, met with a wide variety of stakeholders, and consulted with other jurisdictions all in an effort to provide the Council and County Executive with a carefully considered set of recommended legislative changes. Furthermore, implementation of CDHC's recommendations would result in approximately 12 percent of the 5,500 residential units planned for Downtown being affordable with a smaller amount of money being available in the Fund for investment in affordable housing. This "hybrid" approach was one of the favorable options considered by the Council before its adoption of the Plan in February 2010.

CDHC believes that it was always the Council's, Executive's and Public's intention that there be a broad spectrum of housing in Downtown. The original legislation was intended to provide flexibility in accomplishing that objective, but because of conditions unique to Downtown, CDHC does not believe the current legislation will achieve the Council's or CDHC's goals. Therefore, CDHC respectfully requests that the proposal presented to the Council and the County Executive be adopted. In addition, because the process of Downtown development continues to move forward, CDHC strongly recommends that action be taken by the Council on a timely basis so that all residential projects, other than the Metropolitan projects, will be subject to any legislative changes.

CDHC thanks the Council and the County Executive for the opportunity to present its recommendations and would welcome the opportunity to meet with the Council and the County Executive to assist in the review of CDHC's legislative proposal. CDHC looks forward to continuing its partnership with the Council and the County Executive in bringing a broad spectrum of affordable housing to Downtown.

Sincerely yours,



Paul K. Casey, President

cc: Board of Directors

Roy Appletree
Jesse Chancellor
Peter Engel
Bethany Hooper
Andrea Ingram
Brian Kim
Maria Miller
Bruce Rothschild
Michael Skojec
Russell Snyder
Patricia Sylvester
Rev. Robert Turner
John DeWolf, Ex Officio

Kevin Kelehan, Esquire, Counsel

Thomas Carbo, Director, Dept. of Housing and Community Development

LEGISLATIVE RECOMMENDATIONS

The CDHC’s proposal is intended to ensure that affordable housing units will be developed throughout the Downtown area in mixed-income projects and that the affordable units include a broad spectrum of incomes ranging from 40% to 80% of Howard County area median income (from \$35,032 to \$70,065 for a family of two and \$43,790 to \$87,581 for a family of four) (see the attached chart for more details). In addition, the developers are provided options to facilitate more low income units and to provide flexibility, within certain parameters, in the mix of affordable units and market rate units. Other than the projects listed in (I)(A)(3) below, the inclusionary zoning requirement will apply to all projects in the Downtown Columbia Plan.

1. Mixed-Income Inclusionary Zoning Requirement for Downtown Columbia. This recommendation would impose a mixed-income inclusionary zoning requirement on each project in Downtown with the following requirements and incentives. The recommendation would also eliminate the ongoing developer contributions required under the current Downtown Columbia Plan for all projects other than the projects identified in paragraph (A)(3) below.

A. Requirements.

1. In each rental housing project, 15% of the units must be affordable as follows: 5% at 40% of HC AMI, 5% at 60% of HC AMI, and 5% at 80% of HC AMI.
2. In each for-sale housing project, 15% of the units must be affordable at 80% of HC AMI.
3. The 380-unit project known as The Metropolitan Downtown Columbia and the 437-unit project that is planned to be developed adjacent to The Metropolitan on parcels C-1 and C-2 in the Warfield neighborhood are exempt from the requirements provided in subsections 1. and 2. of this section because the contribution payments made in connection with those units satisfy the affordable housing requirement under the existing County Code. The recommended inclusionary zoning requirement will apply to all other projects in the Downtown Columbia Plan.
4. Projects containing affordable units shall comply with the procedures set forth in the Moderate Income Housing Unit (MIHU) law, Section 13.400 et seq. of the Howard County Code.

B. Incentives.

1. *Low-Income Alternative.* Allow developers to meet the affordability requirement in A(1) by providing affordable units in one of the following alternatives:

Alternative	40% AMI Units	60% AMI Units	80% AMI Units
1	6%	4%	3%
2	7%	3%	1%
3	8%	2%	0%
4	9%	0%	0%

Appendix I
CDHC CR-120 Recommendations

2. *Low-Income Unit Credit Exchange.* If a rental housing project is a mixed-income project in which more than 15%, but not more than 45%, of the units in the project are affordable units, the developer will receive a “one-to-one credit” for each affordable unit that is in excess of the required 15% and is affordable at 60% of HC AMI or less. A “one-to-one credit” may be applied to reduce the number of units required to be affordable at 60% of HC AMI or less in another rental housing project in Downtown. Provided, however, that use of this incentive shall not result in a rental housing project having less than 5% of its units as affordable.

2. **County-owned Land Disposition.** If the County determines that any property within the Downtown district is no longer needed for County use, the County will first offer the property at no cost to the Howard County Housing Commission for the development of mixed-income affordable housing.

Appendix II
List of Stakeholders

1. Howard Hughes Corporation
2. Kettler
3. Costello Construction
4. Orchard Development
5. General Growth Properties
6. Howard County Association of Realtors
7. Howard County General Hospital
8. Howard County Public School System
9. Howard Community College
10. Howard County Chamber of Commerce
11. Howard County Economic Development Authority
12. Town Center Village Board
13. Columbia Association
14. Howard County Housing Commission
15. People Acting Together in Howard County (PATH)
16. Howard County Citizens Association
17. Howard County Board to Promote Self-Sufficiency
18. Wilde Lake Village Board

Executive Committee

Jeffrey T. Agnor, Esq.
Davis, Agnor, Rapaport & Skahy, LLC

David R. Anderson
Expense Reduction Analysts

Ann M. Attanasio
Loyola University Maryland

Miles Coffman, Chair
M&T Bank

Gregory A. Lowe, CFP
Lowe fs

Mike Muscatello, CPA
Aronson, LLC

Anita M. Sheckells, CPA, CCIFF
KatzAbsch

Patrick W. Shurney
Sandy Spring Bank

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HGA Financial, LLC

Mary E. Cannon, CPA
Allen & Shariff Corporation

Luke Chow
Prime Manufacturing Technologies, Inc.

Thomas Cormier
Ahold USA

Cynthia L. Ensey
PNC Bank

Gregory A. Fitchitt
The Howard Hughes Corporation

Michael L. Fowler
BGE, An Exelon Company

Ananta Hejeebu
Howard Tech Advisors

Kate Hetherington, Ed.D.
Howard Community College

Eric S. King, FMP
Shanty Grille

Pete Mangione
Turf Valley

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Carney, Kelehan, Brusler, Bennett & Scherr, LLP

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The Craig Northrop Team of Long & Foster Real Estate

Jean S. Parker
Merrriweather Post Pavilion

Baxter "Mitch" Phillips, Jr.
The Columbia Bank

Charles A. (Chuck) Phillips, Jr., RPLS
KCI Technologies

R. Colfax Schnorf, Jr.
Manekin, LLC

Richard W. Story
Howard Bank

Kim Townsend
Maryland Live! Casino

Lawrence F. Twele
Howard County Economic Development Authority

Matthew L. Wilson
First Potomac Realty Trust

Stephen F. Wolf, CPA
bgr CPAs

Cathy Yost
The Business Monthly

James E. Young
*Ho. Co. General Hospital: A Member
of Johns Hopkins Medicine*

William E. Erskine, Esq., Counsel
Offit Kurman, P.A.

February 16, 2015

Mr. Paul Casey
Board Chair, Columbia Downtown Housing Corporation
Ballard Sparh
300 East Lombard Street
Baltimore, MD 21202

Dear Mr. Casey:

This letter comes in response to the legislative recommendations recently submitted to the County Executive and County Council by Columbia Downtown Housing Corporation (CDHC) pertaining to the development of affordable housing as part of the Downtown Columbia Plan.

As stakeholders who have engaged in the public process of Downtown Columbia's redevelopment plans for the past decade, members of the Howard County Chamber of Commerce have consistently supported the Downtown Columbia Plan's forward-thinking, comprehensive vision of a mixed use urban center where people can live, work, learn, play and shop. We hold the belief that revitalization should reestablish Downtown Columbia as a desirable center of commerce with flourishing stores and fully occupied office buildings, as well as housing for the workforce in those businesses.

We agree with the expectation that Downtown Columbia will include expanded opportunities for in-town living in both housing form and affordability. The need for affordable, workforce housing is a goal shared by all. We do not, however, agree with the recommendations proposed by CDHC.

Economic development along with multi-year, multi-phased development is predicated on predictability of process and policy in government operations. Developers and other businesses, as well as other citizens, see the Downtown Columbia Plan as a deliberately constructed "contract" hammered out in a public process over years of dialogue and negotiation, concluding in unanimous approval by the Howard County Council five years ago.

Mr. Paul Casey
CDHC Legislative Recommendations
February 16, 2015
2

The recommendations brought forth, if implemented would create uncertainty and surely have a chilling effect upon economic development efforts underway not only in Downtown Columbia but in nearby village centers, the Route 40 and Route 1 commercial corridors. In order to attract developers and investment capital, we must have a stable business environment, not a reputation for changing the rules.

Development in Downtown Columbia is underway. Huge investments have been made. Any changes to the Plan must be made by mutual agreement between the developer and the county, not by unilateral legislation.

We appreciate the opportunity to review CDHC's proposed recommendations and to have participated in the process. While their time and efforts are to be commended, we cannot support the proposed recommendations. If at any time, you wish to discuss our views and opinions, please do not hesitate to contact us.

Respectfully,

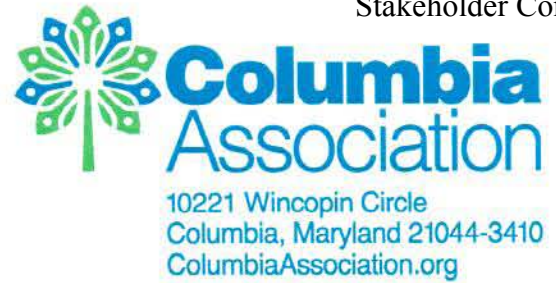


Leonardo McClarty
President, Howard County Chamber



Miles Coffman
Chair, Howard County Chamber
Board of Directors

CC: Allan Kittleman, County Executive – Howard County Government
Howard County Council Members
Howard County Board of Directors
Columbia Downtown Housing Corporation



February 18, 2015

Mr. Thomas P. Carbo, Executive Director
Howard County Housing
6751 Columbia Gateway Drive, 3rd Floor
Columbia, MD 21046

RE: Columbia Downtown Inclusionary Housing Proposal Dated 2/11/15

Dear Mr. Carbo:

I am writing on behalf of the Columbia Association Board of Directors ("Board") regarding the inclusionary housing proposal to amend the Howard County zoning regulations for Downtown Columbia.

The Board has three comments or questions related to the proposal. Please find them outlined below:

1. The sentiment of the Board is that the proposed 15% requirement for inclusionary housing should be the bare minimum;
2. The Board has a question about why a parking reduction is being offered as one of the incentives to developers who exceed the minimum 15% requirement. While it is understood that Downtown Columbia is being redeveloped as a walkable and mixed use center, several board members would like to know how parking will be addressed and managed; and
3. The Board also wondered if and how, under the for sale housing project requirements, the condominium maintenance fee cost will be included in the qualification process for low income residents.

Thank you very much for the opportunity to comment on this important proposal to require a broad spectrum of affordable housing in Downtown Columbia.

Sincerely,



Milton W. Matthews
President/CEO

cc: Columbia Association Board of Directors
Samit Paul, Howard County Housing, Contracts Manager
Jane Dembner, Columbia Association, Director of Planning and Community Affairs

A few thoughts from a private developer:

I don't think the "density bonus" is much of an incentive in that there is no practical density limit under the Downtown zoning plan anyway; but, if a developer can figure a way to use the density bonus it would be counter-productive to not also have a parking reduction . Reduction of parking requirements should be the main incentive, but again, what is the incentive if 15% affordable is mandatory? As I have stated, if there are sufficient incentives, such as reduced parking requirements and elimination of the affordable housing fee, I believe the private sector could meet the stated goals of 15% at HC AMI.

Also, in order for a developer to provide units at 40% HC AMI, there needs to be government soft financing, soft money from the Housing Trust Fund, or other grant source for such units.

Earl Armiger

First and foremost, the Howard County Association of REALTORS® (HCAR) appreciates the time and effort that the Columbia Downtown Housing Corporation (CDHC) has expended in drafting the proposed legislation. We believe that the legislation's goal of ensuring that affordable housing units will be developed throughout the Downtown area in mixed-income projects is an honorable one. HCAR members understand how the lack of housing for working families – both rental and homeownership – threatens the vitality of our community because the people that provide vital services—teachers, firefighters, police officers, restaurant workers—often cannot themselves afford to live here.

As such, HCAR supports this or any mixed-income inclusionary zoning requirement agreed upon between the Downtown developers and the Howard County government that provides affordable housing units for rent and for sale in the Downtown area.

Peter Morgan
Executive Vice President
Howard County Association of REALTORS®
5501 Twin Knolls Road, Suite 111
Columbia, MD 21045
Office: 410-715-1437
Fax: 410-715-1489
Email: pmorgan@hcar.org
Website: www.hcar.org

The following page contains a letter addressed to CDHC by Mr. Steven C. Snelgrove, President of Howard County General Hospital. The letter is dated May 5, 2014, which is before the passage of CR 120-2014, and addresses the Hospital's position on affordable housing in Downtown Columbia.

5755 Cedar Lane
Columbia, Maryland 21044
410-740-7890
410-740-7990 (TDD)
www.hcgh.org



May 5, 2014

Mr. Paul K. Casey, Esq.
Columbia Downtown Housing Corporation
6751 Columbia Gateway Drive
Columbia, MD 21046

Dear Mr. Casey:

Howard County General Hospital ("HCGH" or "Hospital"), as one of the largest private employers in our community, has a 40 year history of supporting growth and development in Howard County. Recently, the hospital was asked by the Board of the Columbia Downtown Housing Corporation ("CDHC") to support its efforts to find solutions to the challenges to developing affordable housing in the downtown area.

With nearly 1800 employees who span the economic spectrum, the hospital places a high premium on affordable housing in our community. Such housing is particularly important to those in lower paying jobs, for whom housing and transportation frequently constitute some of the largest items in their household budget.

Howard County General Hospital is not advocating for any particular solution to the affordable housing challenge in our county. Rather, we support a collaborative effort to increase affordable housing options in Howard County for those who work in our community. We thank you for your advocacy on behalf of all of those seeking affordable housing in Howard County.

Sincerely,



Steven C. Snelgrove
President

COLUMBIA DOWNTOWN HOUSING CORPORATION

6751 Columbia Gateway Drive, Third Floor
Columbia, Maryland 21046

March 31, 2014

The Honorable Ken Ulman
County Executive
Howard County, Maryland
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

The Honorable Calvin Ball
Chairperson, County Council
Howard County, Maryland
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

Mark Thompson
Director
Downtown Columbia Partnership
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

SUBJECT: Annual Report of the Columbia Downtown Housing Corporation

INTRODUCTION

On behalf of the Board of Directors of the Columbia Downtown Housing Corporation ("CDHC"), I am pleased to present our second Annual Report. This report is required by Section 28.204(c) of the Howard County Code and Section 5 of Howard County Council Resolution No. 154-2012, and covers three topics: (1) CDHC's progress in carrying out its obligations; (2) the financial standing of the Downtown Columbia Housing Fund; and (3) the challenges in carrying out its obligations.

BACKGROUND

The Downtown Columbia Plan (the "Plan") was adopted by Howard County (the "County") on February 1, 2010 as an amendment to the County's General Plan. The Plan is a comprehensive document that details a 30-year redevelopment process for Downtown Columbia ("Downtown"). The Plan recommends that, to facilitate its implementation, the County should create a Downtown Columbia Partnership (the "Partnership") to carry out

important services and community functions in Downtown. Howard County formally adopted this recommendation and established the Partnership by passing Council Bill No. 24-2012, which also created Title 28 of the Howard County Code (the "Code").

Under Title 28, the Partnership, among other duties, is charged with collecting and receiving the Downtown Columbia Housing Fund (the "Fund"). Section 28.116 of the Code establishes the Fund as a separate, nonlapsing fund received from various sources and made available for the purpose of providing affordable housing opportunities for households of eligible income in Downtown. Section 28.116 requires the Partnership to contract with the Downtown Columbia Housing Foundation (the "Foundation") for administration of the Fund.

Title 28, Subtitle 2 requires that the Foundation be a not-for-profit entity which includes representation from various organizations that are able to promote the purpose for which the Fund exists. Subtitle 2 grants the Howard County Council the power to recognize an eligible entity as the Foundation. On November 5, 2012, the Council adopted Resolution No. 154-2012, recognizing CDHC as the Foundation and thus as responsible for administering the Fund on behalf of the Partnership. As a condition of continued recognition, CDHC is required to furnish the County Executive, County Council, and Partnership with an Annual Report within the 90-day period following the final day of its fiscal year, which is December 31.

CDHC'S PROGRESS IN CARRYING OUT ITS OBLIGATIONS

A. Organizational Activity

CDHC filed its Articles of Incorporation with the Maryland Department of Assessments and Taxation on November 6, 2012 and held its first organizational meeting on November 13, 2012.

The Board held ten regularly scheduled meetings during calendar year 2013. As CDHC is a quasi-public entity, the Board is mindful of its obligations under the Maryland Open Meetings Act and Public Information Act. The Board has endeavored to comply with the Acts by working with the County Office of Public Information to provide the public with notice of the Board's regular monthly meetings in advance by publishing them on the County's website and keeping detailed minutes and audio recordings of its covered meetings.

At CDHC's Annual Meeting in January 2014 the Board reelected the then three current officers: Paul K. Casey as President; Roy L. Appletree as Secretary; and Bethany H. Hooper as Treasurer.

The Board has taken a number of steps to allow CDHC to carry out its obligations as the Foundation. In accordance with Sec. 28.202 of the Code, the Board has received, and continues to receive, staff and financial support from Howard County's Department of Housing and Community Development (the "Department") pursuant to a Memorandum of Understanding dated December 1, 2012. The Department's assistance has been essential to the successful administrative operation of the CDHC and its Board.

The Board recognizes that there are other potential sources of funding including charitable contributions. Board member Bruce Rothschild, Esq., volunteered his expertise to assist CDHC in pursuing tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. An application for 501(c)(3) status was filed with the IRS in April 2013. As of July 2013, the application had been assigned to an IRS exempt organization specialist and is still under review.

B. Financial Standing of the Fund

CDHC received its initial funds during this year. The event was triggered by: (1) the execution of a formal written agreement with the Partnership with the assistance of CDHC's pro bono legal counsel, Kevin Kelehan Esq.; and (2) the issuance of the building permit for the first covered housing development in Downtown, the Metropolitan.

CDHC received its initial first contribution from the Partnership on October 8, 2013 in the amount of \$2,333,867.42. Of that amount, \$2,320,000.00 was transferred to an account at Fulton Financial Advisors where it has been invested in a series of certificates of deposit in increments of \$245,000, with expiration dates ranging from six to twenty-four months. The remaining \$13,867.42 was left in the operating account to cover minor operating expenses. The Department confirmed, however, that it will continue to cover operating expenses for CDHC and, as a result, the remaining funds will be invested.

In early 2013 in anticipation of the funds, the Investment Committee of CDHC developed an RFP for cash management and investment services. The RFP was sent to six financial institutions that had expressed interest in partnering with CDHC or were recommended by board members. Three of the six initial banks responded to the RFP. After an interview process the committee chose to start a banking relationship with The Columbia Bank ("TCB") and their investment advisory firm - Fulton Financial Advisors ("FFA"). TCB and FFA were chosen primarily because they are a local bank with a long tenure in the Columbia marketplace, and have a full array of cash management services. They had the most complete response to the RFP, they had a satisfactory Community Reinvestment Act rating and their pricing was similar to or better than those of their competitors. Also, the Board liked the Cash Reserve Investment Product that allowed for an individualized versus pooled investment plan. Subsequently, FFA advised CDHC in the drafting of a board-approved simple investment policy with three main goals: (1) to protect the corpus; (2) maintain sufficient liquidity; and (3) provide positive yield.

The Investment Committee developed an RFP to identify an accounting firm to produce CDHC's first Form 990 by the May 15 filing deadline. Three firms received the RFP and all submitted proposals that the Committee reviewed. The Investment Committee recommended to the Board UHY Advisors Mid-Atlantic MD, Inc. because of its strong expertise, with a principal who specializes in nonprofit organizations. The firm is based in Columbia, MD. In February 2014, the Board approved the Committee's recommendation.

C. Steps Taken Toward Achieving Goals

CDHC is fortunate to have an exceptionally dedicated and professionally experienced Board, the members of which are committed to achieving the goals for which the Fund was established.

The Board has spent a considerable amount of time, both inside and outside of formal meetings, exploring options and opportunities to develop affordable housing in Downtown. In the process, CDHC has engaged in discussions with representatives of:

- The Howard Hughes Corporation (the Master Developer);
- Howard County Government;
- The Columbia Association;
- various private Downtown developers; and
- major employers.

The Board has discussed options for providing affordable housing using a variety of tools including loans, equity, rent subsidy, public/private financing, flexible ownership structures, grants from charitable foundations, and use of County-owned land.

In trying to move forward in the development process, CDHC has met with numerous community leaders, both elected and appointed. These meetings were generally characterized by constructive discussions in which we shared our progress and obstacles, while seeking their ideas and support.

CDHC'S CHALLENGES IN CARRYING OUT ITS OBLIGATIONS

In April 2013, as a supplement to its Annual Report, CDHC identified the perceived challenges in carrying out its obligations as well as a number of potential solutions:

Challenges

- There is no affordable housing requirement for downtown developers.
- Initial developers feel they have satisfied affordable housing obligations by paying their per unit requirement, along with meeting other County proffers and construction requirements.
- CDHC was not created until 2 ½ years into the development process, after the initial residential development deals had been negotiated and financed.
- CDHC's projected funding through 2015 is only \$4.6 million, a resource of limited impact during the early phases of development.
- CDHC's long-term, projected (but uncertain) funding of \$43 million is inadequate to reach its goal of having 15% of the planned 5,500 residential units serve households averaging 50% of County median income.
- The multi-family industry has changed in the last few years:
 - ❖ The rental market is relatively "hot"

- ❖ Financing is more readily available
- There are limited development opportunities in terms of geography and housing types.
- Only one downtown site has been identified by the developer as a potential affordable housing site.
- Land prices are very high.

Potential Solutions

- County Government pledge development opportunities on sites they will/do control, for example: fire station, library, parking garages
- Working with Howard County Housing Commission to develop sites jointly
- Consider a site specific bonus density for the development of affordable housing
- Acquire existing units
- Consider fast tracking for the development of affordable housing
- Right of first refusal to the Commission/CDHC for projects as they become available for sale

The Board is and has been dedicated to creating affordable housing in Downtown Columbia. The Board is aware of many of the financing and development techniques that have been and are being used across the country. The concept of a housing trust fund has been used with great success in various forms in neighboring counties and nationally. The Fund has strong potential as an innovative mechanism for stimulating affordable housing creation within the new developments of Downtown.

It is now more than six years after the County's Vision Statement, four years after legislative enactment of the Plan, and more than one year after the creation of CDHC. At this point, our previously identified challenges (above) remain constant and we are still trying to implement our potential solutions. Although we have made progress in certain areas, nonetheless, our experience indicates that none of our proposed solutions individually, or in combination, would necessarily be sufficient to enable CDHC to meet its objective of 15% affordable housing given CDHC's current level of funding.

We are facing major structural impediments to achieving CDHC's affordable housing goal:

1. Opportunities are limited by the prescribed geography, the development process and the upscale costs associated with Downtown vision.
2. Developers do not have any legal or financial incentive to participate in helping us achieve our goal.

We have come to the conclusion that, without changes in legislation, it would be difficult to realize CDHC's goals regarding the development of affordable housing in Downtown. We welcome the opportunity to pursue potential solutions with our elected officials, The Howard Hughes Corporation, other private developers, and community advocates. We would encourage all

stakeholders to consider changes and solutions that could encompass possible additional funding and incentives to promote meaningful participation by the development community.

CONCLUSION

As we emphasized in last year's Annual Report, the County's General Plan and the Downtown Columbia Plan both reflect the notion that the availability of affordable housing is vital to the County's employment growth and that it improves the County's economic development prospects. CDHC is proud to be tasked with the goal of ensuring the success of this critical component to the Downtown redevelopment. We believe that with the implementation of meaningful solutions to the challenges we face, including appropriate modifications to the legislation, we will be able to achieve those goals.

A founding principle of Columbia is that a diverse housing community with a broad range of incomes is conducive to a rich culture. The Board of CDHC envisions nothing less than continuing the principles of Columbia in the redevelopment of Downtown. We continue to look for the support and assistance with those who share our vision.

Sincerely yours,



Paul K. Casey, President

cc: Board of Directors

Roy Appletree
Jesse Chancellor
Peter Engel
Bethany Hooper
Andrea Ingram
Brian Kim
Maria Miller
David Raderman
Bruce Rothschild
Michael Skojec
Stephen Smith
Russell Snyder
Patricia Sylvester
Rev. Robert Turner
John DeWolf, Ex Officio

Kevin Kelehan, Esquire, Counsel
Thomas Carbo, Director, Dept. of Housing and Community Development

COLUMBIA DOWNTOWN HOUSING CORPORATION

6751 Columbia Gateway Drive, Third Floor
Columbia, Maryland 21046

March 31, 2013

The Honorable Ken Ulman
County Executive
Howard County, Maryland
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

The Honorable Jen Terrasa
Chairperson, County Council
Howard County, Maryland
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

Mr. Mark Thompson
Director
Downtown Columbia Partnership
George Howard Building
3430 Courthouse Drive
Ellicott City, Maryland 21043

SUBJECT: Annual Report of the Columbia Downtown Housing Corporation

INTRODUCTION

On behalf of the board of directors of the Columbia Downtown Housing Corporation (“CDHC”), I am pleased to present our first Annual Report. This report is required by Section 28.204(c) of the Howard County Code and Section 5 of Howard County Council Resolution No. 154-2012, and covers three topics: (1) CDHC’s progress in carrying out its obligations; (2) the challenges in carrying out its obligations; and (3) the financial standing of the Downtown Columbia Housing Fund.

BACKGROUND

The Downtown Columbia Plan (the “Plan”) was adopted by Howard County (the “County”) on February 1, 2010 as an amendment to the County’s General Plan. The Plan is a comprehensive document that details a 30-year redevelopment process for Downtown Columbia (“Downtown”). The Plan

recommends that, to facilitate its implementation, the County should create a Downtown Columbia Partnership (the "Partnership") to carry out important services and community functions in Downtown. Howard County formally adopted this recommendation and established the Partnership by passing Council Bill No. 24-2012, which also created Title 28 of the Howard County Code (the "Code").

Under Title 28, the Partnership, among other duties, is charged with collecting and receiving the Downtown Columbia Housing Fund (the "Fund"). Section 28.116 of the Code establishes the Fund as a separate, nonlapsing fund received from various sources and made available for the purpose of providing affordable housing opportunities for households of eligible income in Downtown. Section 28.116 requires the Partnership to contract with the Downtown Columbia Housing Foundation (the "Foundation") for administration of the Fund.

Title 28, Subtitle 2 requires that the Foundation be a not-for-profit entity which includes representation from various organizations that are able to promote the purpose for which the Fund exists. Subtitle 2 grants the Howard County Council the power to recognize an eligible entity as the Foundation. On November 5, 2012, the Council adopted Resolution No. 154-2012, recognizing CDHC as the Foundation and thus as responsible for administering the Fund on behalf of the Partnership. As a condition of continued recognition, CDHC is required to furnish the County Executive, County Council, and Partnership with an Annual Report within the 90-day period following the final day of its fiscal year, which is December 31.

CDHC'S PROGRESS IN CARRYING OUT ITS OBLIGATIONS

A. Initial Formation and First Meeting

CDHC filed its Articles of Incorporation with the Maryland Department of Assessments and Taxation on November 6, 2012 and held its first organizational meeting on November 13, 2012. At this first meeting, bylaws and various foundational resolutions were adopted by the board of directors of CDHC (the "Board"). Among those resolutions was the election of the Board's three officers: Paul K. Casey as President; Roy L. Appletree as Secretary; and Bethany H. Hooper as Treasurer.

As CDHC is a quasi-public entity, the Board is mindful of its obligations under the Maryland Open Meetings Act and Public Information Act. Accordingly, at its first meeting, the Board received a training session on the Open Meetings Act from County Solicitor, Margaret Ann Nolan, and a session on the Public Information Act from Senior Assistant County Solicitor, James Vannoy. The Board has made efforts to comply with the Acts by working with the County Office of Public Information to provide the public with notice of the Board's regular monthly meetings and keeping detailed minutes and audio recordings of its covered meetings.

B. Measures to Build CDHC

CDHC is fortunate to have an exceptionally dedicated and experienced Board, the members of which are committed to achieving the goals for which the Fund was established. Since its initial meeting, the

Board has taken a number of steps to allow CDHC to carry out its obligations as the Foundation. In accordance with Sec. 28.202 of the Code, the Board has received, and continues to receive, staff and financial support from Howard County's Department of Housing and Community Development pursuant to a Memorandum of Understanding dated December 1, 2012. The Department's assistance has been essential to the successful administrative operation of the CDHC and its Board.

The Board has secured pro bono legal services by appointing Kevin J. Kelehan and his law firm, Carney, Kelehan, Bresler, Bennett & Scherr, LLP, as CDHC's general counsel. Mr. Kelehan and his firm have extensive experience in representing clients in both the for-profit and non-for-profit housing sectors and in dealing with affordable housing issues in the County and the State. Mr. Kelehan has also served on the Howard County Housing Commission and the Howard County Housing Affordable Housing Task Force.

Although Title 28 of the Code provides for continuous contributions to the Fund, the Board recognizes that there are other potential sources of funding including charitable contributions. Consequently, the Board resolved that it would benefit CDHC to seek tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Board has been diligently preparing an application for 501(c)(3) status and is close to completion and submission.

As CDHC will soon be receiving the initial contributions to the Fund from the Partnership, the Board has taken steps to secure appropriate banking services to assist CDHC in its management of the Fund. Specifically, the Board's Investment Committee recently completed a solicitation process to obtain streamlined cash management, active asset management, and investment advisory services from a financial institution that employs state-of-the-art technology while offering a high level of customer service. After reviewing three proposals, the Investment Committee recommended, and the Board resolved, that The Columbia Bank should be the selected candidate. CDHC is currently in the process of engaging The Columbia Bank and the Board is confident that its service account will be established before CDHC receives the Fund from the Partnership.

C. Steps Taken Toward Achieving Goals

To maximize its understanding of the Plan and its planned implementation, the Board has received two presentations on those topics from Mr. Mark Thompson of the County's Department of Planning and Zoning. Mr. Thompson has also remained in contact with the Board and has provided helpful updates on Downtown developments currently in the pipeline as well as on plans that are in their preliminary stages. The information and insights provided by Mr. Thompson have been instrumental in the shaping of the Board's strategies for implementation of affordable housing in the new Downtown.

Additionally, the Board has had the benefit of receiving a presentation on the County's 2012 Rental Housing Survey from Mr. Robert Lefenfeld of Real Property Research Group. Mr. Lefenfeld's presentation was very detailed and provided a wide range of statistical findings relating to, among other topics, the demand and supply of affordable housing in the County as well as within its submarkets,

including Columbia. The presentation allowed the Board to develop an understanding of the income groups in Downtown that may be the most underserved in the realm of affordable housing.

In an effort to develop strategies and best practices to achieve its objective of providing affordable housing opportunities in Downtown, the Board held a “brainstorming” retreat at its December 12, 2012 meeting. During the session, the Board sought to answer a number of questions about the population groups that CDHC should target, short- and long-term goals, ways to leverage CDHC’s limited financial resources, and how to approach the Plan’s first residential project, i.e., the 380-unit Metropolitan to be developed on Parcel D (Warfield Neighborhood Block W-1). As a result of a lengthy and productive session, the Board resolved a number of items including a goal of establishing 15 percent of the 5,500 units slated for development in Downtown as affordable (which is the normal percentage required by the County’s MIHU program), targeting households with incomes averaging 50 percent of the Howard County area median with an emphasis on persons below 50% of area median up to below market rents, with an annual review of those target ranges, and working with developers to reduce rents to levels to meet eligibility standards for Housing Choice Voucher assistance. Additionally, the December 12 retreat resulted in the appointment of an ad hoc committee to engage the developers of the Metropolitan, and the other initial residential projects, about the possibilities for including affordable housing in what would be the Plan’s initial residential projects.

CDHC’S CHALLENGES IN CARRYING OUT ITS OBLIGATIONS

In its deliberations, the Board has identified certain challenges in carrying out its obligations. The Board is in the process of preparing a separate description of those challenges and plans to submit a description of the challenges to the County Council, County Executive, and Partnership by the end of April 2013.

FINANCIAL STANDING OF THE FUND

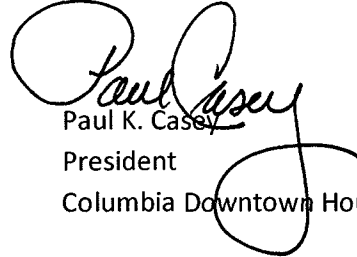
Because CDHC has yet to receive any Fund monies from the Partnership, there is no report on its financial standing. CDHC is prepared, however, to contract with the Partnership as required by Section 28.116(c)(4) of the Code as soon as the Partnership is fully operational. As discussed above, CDHC is currently engaging a financial institution for cash and asset management services and is confident that its service account will be established before the Fund is transferred.

CONCLUSION

The County’s General Plan and the Downtown Columbia Plan both recite the notion that affordable housing bears an important relationship to the County’s employment growth and that it improves the County’s economic development prospects. CDHC is proud to be tasked with the goal of ensuring the success of this critical component to the Downtown redevelopment. A founding principle of Columbia is that a diverse housing community with a broad range of incomes is conducive to a rich culture. The Board envisions nothing less than continuing the principles of Columbia in the redevelopment of

Downtown. Through a coordinated effort with the County, developers, and community organizations, we are confident that our vision will be realized.

Sincerely,



Paul K. Casey
President
Columbia Downtown Housing Corporation

cc: Members of the Board of Directors

Roy Appletree
Jesse Chancellor
Peter Engel
Bethany Hooper
Andrea Ingram
Brian Kim
Maria Miller
David Raderman
Bruce Rothschild
Michael Skojec
Russell Snyder
Patricia Sylvester
Rev. Robert Turner

Kevin Kelehan, Esquire, Counsel

Thomas Carbo, Director, Dept. of Housing and Community Development