

Report of Friends Non-Profit Housing, Inc.,
to Bethesda Friends Meeting, October 2, 2011

Friends Non-Profit Housing, Inc., (FNPH) is the non-profit owner of Friendly Gardens (FG) a complex of 85 apartments in the Rosemary Hills section of Silver Spring, Maryland. The project was designed for family occupancy; there are 22 two-bedroom, 35 three-bedroom, and 28 four-bedroom units. The maximum rental rates are less than one-half competitive market rates: \$575 per month for 2-BR units, \$620 for 3-BR, and \$696 for 4-BR. Depending on household income, the rate can be lower. No increase is scheduled through this fiscal year which began July 1, 2011.

The finances of FG are sound with income exceeding expenses. Maintenance is up-to-date, and there is a substantial reserve for maintenance and replacement.

FG will make a major transition next year. The 40-year construction mortgage will be paid-off in April, 2012, which will allow the end of management oversight by the Department of Housing and Urban Development (HUD). The board of FNPH has decided to forgo some small subsidies and to free the project of bureaucratic overhead thereby speeding the implementation of routine decisions and rationalizing policies. For instance, permission has been denied to adjust the structure of rents--the rent for the largest apartments are too low relative to that of the smaller units.

The board of FNPH has explicitly affirmed that the mission of providing safe, comfortable housing for low income families will not be changed. Families that now receive subsidies from HUD's Section 8 program will receive comparable assistance from other sources.

For many years the board of FNPH has tried to obtain the vacant land behind FG. A non-profit sister to FNPH, Friends Housing Trust, Inc., (FHT) was established more than a decade ago. (HUD rules restricted FNPH to FG exclusively.) Optimistic developers sought very high prices for the land. Several developers got to the planning/permitting stage. The board tried to minimize consequent adverse effects on the FG complex. Finally, with about \$3.5 million of bank mortgages on the property, the latest developer gave up. On May 31, 2011, FHT purchased the land for \$650,000, free of all liens.

Planning for the use of the land is in process. A long anticipated possibility is an extension of FG with one-bedroom apartments complementing the larger apartments in FG. (There are "over-housed" households in FG who could move to smaller units and free the larger spaces for larger households.)

The main obstacle in developing the newly acquired land is financing. Immediately, members of the boards of FNPH/FHT have provided bridge loans for the purchase and for property taxes. With freedom from HUD, the equity in FG can be tapped to repay these loans and carry the land indefinitely. But commercial financing for constructing 40 or 50 new units would raise rents above those in our historic mission. Exploration of alternatives continues. Subsidized loans such as that for the construction of FG are no longer available. Sale of tax credits is a possibility. Perhaps a mixed income project or cooperation with a developer would work.

Meanwhile, the FHT balance has been depleted by the transaction costs of the land purchase. There will be costs associated with the planning process. Tax-deductible contributions to FHT will be welcomed. Checks payable to Friends Housing Trust, Inc., may be mailed to Richard Mounts, Treasurer.

As many of you know, the long-standing tradition of Christmas food basket distribution to FG residents didn't happen last year. Our source for fresh produce couldn't help us because his wholesale supplier had retired, and his own health was declining with age. The extreme difficulty in finding another source forced a suspension last year. Substitution of supermarket gift cards is under consideration.

The current directors of FNPH are: from Bethesda FM: Andrea Giles, Ralph Hofmeister, Richard Mounts; from FMW: Dan Dozier, Willy Wilson; from Sandy Spring FM: Jim Breiling. Without a Meeting affiliation are Joe Howell (low-income housing expert) and Robin McGrew (architect). The board usually meets bi-monthly in the Community Room at FG on the 3rd Monday, at 7:30. Visitors are welcome; contact a member of the board to confirm the date and for directions.

Ralph Hofmeister

27 September 2011