

2012 HOUSING POLICY

DRAFT

A Housing Policy for Montgomery County, Maryland



**Department of Housing and Community Affairs
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“The greatest challenge will be to increase the supply of affordable housing.”

The Honorable Paul Sarbanes

May 7, 2012

2012 HOUSING POLICY

A HOUSING POLICY FOR MONTGOMERY COUNTY, MARYLAND

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Montgomery Arms Apartments, Photo Courtesy: Housing Opportunities Commission

2012 HOUSING POLICY FOR MONTGOMERY COUNTY, MARYLAND

EXECUTIVE SUMMARY

To remain a vibrant, thriving community, Montgomery County must have a well-balanced economy, adequate services and schools, and resources that meet the needs of the citizens. A key factor is the availability of housing that meets the needs of the residents. This Housing Policy confirms the objectives set out in the 2011 Housing Element to the Montgomery County General Plan , and establishes action plans to meet the objectives. This Housing Policy establishes the following vision that Montgomery County is a place where:

- Everyone has a place to call home — no one is homeless.
- Neighborhoods are safe and sound, with community services and well-maintained facilities.
- All housing is in sound condition and meets all building maintenance codes.
- Each housing unit has adequate living space for its occupants.
- Affordable housing exists for all who live or work in the County, regardless of age or income.
- People receive appropriate housing and services for each stage of life and can remain in the community as they grow older.
- There is no discrimination in choosing a place to live, regardless of race, color, religious creed, ancestry, national origin, sex, sexual orientation, marital status, presence of children, age, physical or mental disability, or source of income.
- Housing opportunities and supportive services are available for those who have mobility or sensory impairment, developmental or emotional disabilities, or mental illness.

The overall goals of this Housing Policy are that Montgomery will:

- **Preserve the existing regulated affordable housing stock, striving for no net loss of income-restricted affordable housing.**
- **Increase the number of affordable housing units.**
- **Conserve and care for Montgomery County’s residential neighborhoods, and develop and invest in quality communities.**
- **Strive to prevent homelessness and find homes for the homeless.**
- **Support the development of new housing, especially in transit-oriented areas.**

HIGHLIGHTED HOUSING POLICY ACTION PLANS

Objective 1: Housing and Neighborhood Connectivity

Concentrate most new housing near public transportation and provide easy, multi-modal connections to jobs, schools, shopping, recreation, and other leisure activities.

A. Plan for and promote new residential construction

Action Plans

- Encourage housing development of varying types and price ranges, recognizing that the greatest need is for more rental housing to meet the housing needs for the County’s expected 163,000 net new workers by 2030.

- Develop master plans and provide adequate zoning capacity to meet the current and future housing needs of those who live or work in the County. Assess potential for higher density residential redevelopment, especially in transit-serviceable areas
- Give housing the first priority consideration when there is a change of use or ownership of publicly-owned land. Build housing on excess county-owned land next to government facilities.
- Monitor the supply and demand of housing units, especially those affordable to lower and middle income households, to see if adjustments should be made to policies or programs. Update the Analysis of the Supply & Demand for Housing, dated June 28, 2008 prepared by the Montgomery County Planning Department, to determine new trends and conditions, and publish regular updates.

B. Promote housing, especially higher density and mixed housing types, in transit-oriented areas and employment centers

Action Plans

- Concentrate and promote housing in high-density, mixed-use transit-oriented areas and seek to develop new zones that allow for mixed uses, provide increased opportunities for residential development, and encourage sound infill development on sites near employment and transit centers, on publicly-owned sites, in older strip commercial areas, and surface parking lots.
- Phase mixed-use development so that housing is constructed in a timely fashion relative to other uses within the project.
- Plan the uses at the edges of high-density centers to be compatible with existing neighborhoods and protect adjacent low-density residential neighborhoods.

C. Promote more inclusionary and mixed-income communities

Action Plans

- Foster the construction of well-designed affordable housing that is compatible with surrounding development. Ensure that affordable housing is maintained properly.
- Identify and set aside areas for the provision of affordable housing in large-scale planned development through a variety of approaches, including the MPDU Program.
- Assess publicly-owned sites for mixed-income housing, especially in underserved areas.

D. Expand affordable housing

Action Plans

- Add to the amount of affordable housing in Montgomery County to meet the housing needs of existing households and the future population forecasts.
- Aid the construction of new affordable housing throughout the County by making sure the Zoning Ordinance allows for it, providing innovative financing, and including affordable housing goals in master plans.
- Reduce disincentives that limit the development of affordable dwelling units and increase incentives for the production of MPDUs above the statutory requirements. Analyze, and if necessary, increase incentives for moderately priced dwelling unit production in high-rise developments.
- Identify and secure adequate assistance to meet the current and future unmet affordable housing demand. Expand funding of affordable housing and enhance county programs that provide assisted housing, including HIF financing, homeownership assistance, the leveraging and layering of other public and private funding sources, and public and private homeownership assistance near employment centers.

E. Encourage employer participation

Action Plans

- Assess employers' housing needs, especially for entry level and service sector employees.
- Provide incentives to encourage employers to develop mixed-income housing at employment centers by redeveloping surface parking lots and underutilized property, and creating transit-oriented developments.
- Create employer-supported homebuyer and renter counseling programs, and assess the feasibility of developing programs for employer contributions to closing cost and down payment assistance programs.

F. Promote infill residential development and adaptive reuse

Action Plans

- Promote housing as an adaptive reuse of vacant non-residential buildings and provide for appropriate redevelopment of residential property in compliance with land use, zoning and master plans. Establish mixed-use zones that allow a mix of commercial and residential development. Evaluate and consider implementing incentives.
- Through master plans and special County-initiated studies, inventory and assess privately- and publicly-owned buildings suitable for conversion to residential use.

- Request that the Planning Department study the possibility of co-locating housing in existing office parks and other land uses that feature out-of-date or excessive parking and green space. Increase infill-housing opportunities in suburban office parks, shopping centers, and other underused properties.

Objective 2: Diverse Housing and Neighborhoods

Create diversity in the type and size of units, neighborhoods, facilities, and programs to accommodate current and future residents.

A. Housing for all stages of life

Action Plans

- Provide a sufficient housing supply to serve the County's existing and planned employment and the changing needs of its residents at various stages of life.
- Make housing affordable to low, moderate, and middle-income households a priority in all parts of the County. Continue to provide County financing for the creation and preservation of affordable and special needs housing.
- Create and provide incentives for the development of housing for diverse residential needs, including housing for families with children, for the elderly, for persons with disabilities, for persons with mental illness, for persons transitioning from homelessness, and for persons with AIDS.
- Encourage redevelopment and rehabilitation of deteriorating or aging residential multi-family properties while protecting the well-being of current residents and minimizing displacement of at-risk residents.

B. Preserve existing neighborhoods

Action Plans

- Preserve existing privately-owned and unregulated rental housing providing affordable rents.
- Protect residential neighborhoods from excessive traffic and discourage spillover parking from non-residential areas. Set policies and enforce them to assure that the County's residential neighborhoods continue to be a source of well-maintained housing and provide an attractive choice for households.
- Continue to pay attention in master plans to protecting existing neighborhoods and continue to enforce requirements for the maintenance of the high quality of housing and provide adequate public infrastructure in existing neighborhoods.
- Take actions to ensure that older neighborhoods, especially communities at risk of decline, remain attractive and viable for homebuyers by renewing neighborhood infrastructure,

promoting neighborhood stabilization, and addressing streetscaping and neighborhood desirability issues.

- Prevent encroachment on existing neighborhoods by uses not allowed by the zoning ordinance or recommended by the area master plan. Preserve single-family rental housing as one of many housing alternatives in the County.

C. Preserve existing regulated affordable housing

Action Plans

- Preserve existing federal, state, or County-financed affordable housing. Work proactively with owners of affordable housing to understand and develop preservation plans for properties.
- Assess affordable housing likely to be threatened by redevelopment, conversion to condominium status, or other displacement of low- and moderate-income residents. Work proactively with owners of affordable housing to understand and develop preservation plans for properties. Maintain close contact with apartment owners and industry representatives to get advanced notice of potential sales.
- Use HIF acquisition and rehabilitation loans and right-of-first-refusal contracts to acquire and preserve extended affordability in housing developments. Improve maintenance, renovation, and upkeep of scattered-site, assisted housing properties.

D. Preserve privately-owned affordable housing

Action Plans

- Assess existing privately owned multi-family housing with affordable rents likely to be threatened by redevelopment, conversion to condominium status, or other displacement of low- and moderate-income residents or loss of affordable units. Identify transit-oriented areas where redevelopment is likely to occur.
- Develop strategies to preserve these “naturally occurring” rental properties through measures such as providing a loan to the owner to renovate the property and maintain the affordable rents. Work with HOC and non-profit housing providers to identify at risk properties. Provide assistance and financing for the acquisition and preservation of naturally occurring affordable rental properties.
- Continue the County’s Voluntary Rent Guideline Program. DHCA should evaluate the criteria used to establish the voluntary rent guideline to make sure that the suggested increase amount is an accurate reflection of increased costs. The County should continue to negotiate with landlords that do not follow the voluntary guidelines to minimize impacts on tenants, especially senior citizens, persons with special needs, and long-term residents. Voluntary rent guidelines can be a valuable tool in keeping rent increases reasonable.

E. Provide affordable housing with support services and provide supportive services to scattered-site housing residents

Action Plans

- Coordinate the availability of affordable housing units and needed support services for persons with special needs, including those persons transitioning from homelessness.
- Continue to have HOC, HHS, and the County's non-profit organizations cooperate and collaborate to provide high quality housing and social service supports to low-income families to improve greatly their chances for success.

F. Provide more special needs housing

Action Plans

- Encourage production of housing for populations with special needs. Develop additional techniques to provide housing opportunities to meet the special housing needs of the elderly and persons with disabilities. Update the comprehensive inventory of special needs housing. Continue to develop forecasts of special needs populations.
- Identify and implement programs to meet any shortfall of special needs housing. As funds are available, increase rental subsidies and opportunities to the most at risk populations. Obtain additional federal funds when possible.
- Increase supply of adaptable housing with basic accessibility design elements.
- Include goals for affordable and assisted housing in master plans and designate suitable sites for elderly housing and other special needs housing. Explore incentives, such as density bonuses, to developers who provide special needs housing. As the Zoning Ordinance is revised, make sure that special needs housing and elderly housing continue to be available options in all locations.

G. Expand housing to serve households moving from homelessness

Action Plans

- Provide resources to allow families and individuals to transition from homelessness into housing with support services.
- Continue to implement the Housing First program. Conduct inventory of rental housing to identify apartments that can be appropriate for transitioning from homelessness.
- Increase the supply and affordability of appropriately designed and located permanent supportive housing for those who have experienced homelessness.

H. Expand the supply of affordable rental senior housing

Action Plans

- Promote choices of dwelling types so that seniors can age in place, downsize, choose rental or ownership, or find housing with the appropriate level of supportive services without having to leave the community.
- Promote and make more affordable senior housing available. Develop affordable senior housing, especially affordable elderly assisted living, on County-owned land, and in projects assisted with County funds.
- Include affordable senior housing in the high-density master planned communities at transit stops. Promote programs and options for seniors to “age in place” appropriately. Assist and encourage efforts to create concepts such as villages and other options to help individuals remain in their community.
- Promote Design for Aging in Place by encouraging housing designs that accommodate or adapt to persons aging in place and to persons with disabilities. Encourage walkable communities and mixed use zoning so that residents can choose to live within walking distance of basic amenities.
- Analyze existing County rental subsidy programs, senior housing facilities, food assistance subsidies, and other programs for seniors to determine the service needs and the housing needs of seniors in Montgomery County

I. Encourage Visitability in housing

Action Plans

- Incorporate design features such as a no-step entrance, wider doors, barrier-free entrances, and other visitability improvements in housing to help people age in place, assist a person living with a temporary or permanent disability, and accommodate friends or relatives who have mobility limitations.
- Encourage developers to incorporate visitability design features in their projects. Analyze impediments to the construction of new and renovated housing units that are visitable or fully accessible. Determine if changes can be made to simplify the process and cost for making visitability modifications to existing homes and multi-family properties.
- Create incentives to encourage housing to be accessible by elevators in new construction of mixed-use developments where stores are on the first floor and housing is on the upper levels. Create incentives to builders and homeowners that include or add “visitable” or “livable” features to their homes.
- Require developers on County-owned land or taking advantage of County funding to incorporate visitability design features in the design of their projects.

J. Analyze and address home foreclosures

Action Plans

- Continue and increase as necessary the County's programs to address foreclosure initiatives to prevent foreclosures, mitigate the impact of foreclosures, and preserve affordable housing.
- Work with the financial and the real estate community to assess the inventory of vacant foreclosed homes and explore alternatives for getting these properties occupied again, such as purchase by HOC or nonprofits for lease or sale to income eligible households.

Objective 3. Housing and the Environment

Provide economically and environmentally sustainable housing and neighborhoods.

A. Encourage sustainable, green development and environmental sensitivity in housing, neighborhood design, and redevelopment

Action Plans

- Strive to sustain and improve the natural environment in Montgomery County by protecting the ecosystems that purify air and water.
- Reduce the County's carbon footprint.
- Continue to plan for, encourage, and develop transit-oriented developments. Create walkable communities where residents can walk to work, recreation and retail.

B. Reduce energy consumption

Action Plans

- Encourage the use of design features, the installation of energy efficient systems and appliances, and the adoption of regulations that reduce residential energy consumption.
- Review and amend as necessary building codes, code enforcement procedures, and other housing programs that regulate remodeling and reconstruction of infrastructure to encourage and require energy conservation measures. Provide information on the County web site and through other means to homeowners and rental owners to encourage the use of energy efficient appliances, water saving devices, and energy conservation measures.

C. Conserve water and protect water quality

Action Plans

- Continue to encourage changes and establish policies that reduce residential water consumption and promote measures that reduce water pollution. Continue to require that new developments comply with high water quality and stormwater management guidelines.
- Make improvements that reduce problem drainage and protect water quality in communities, especially in target areas and lower-income neighborhoods.

Objective 4. Housing and Neighborhood Design

Create more balanced, attractive, and walkable neighborhoods through regulatory reform of private developments and leadership in design of public projects.

A. Include affordable housing as a goal in all master plans

Action Plans

- Add “Increasing and Preserving Affordable Housing” as an objective in all master plans.
- Include recommendations in master plans for affordable housing sites and locations, and for the use of county-owned sites for affordable housing. Evaluate and establish goals in master plans for the location of senior housing, mixed income housing, and special needs housing.

B. Foster the development of more than the minimum MPDUs

Action Plans

- Establish and provide incentives for developments that provide additional MPDUs and other forms of affordable housing.
- Consider incentives such as increased heights, additional density, and waiver of fees and taxes that contribute to increased costs of developing affordable housing.

C. Reduce housing development costs

Action Plans

- Reduce the costs of development approval fees and costs that restrict housing affordability where possible. Streamline and simplify complex approval processes that lead to unnecessary delays and increased expenses and add to the difficulty of delivering affordable homes. Evaluate County policies and procedures to determine if any that increase the costs of producing housing can be reduced.
- Continue exempting price-controlled housing from County excise and impact taxes.

D. Streamline and amend the development review process

Action Plans

- Continue to assess the County's development regulations and review processes to find ways to streamline and amend the process to encourage, and reduce the costs of, housing development. Continue provisions in the Zoning Ordinance, and streamline the review procedures, that allow development with innovative housing types to meet the needs of small households and special needs populations, including accessory apartments, single-room occupancy units, and group homes.
- Provide flexible development standards for mixed-use projects to allow for the full integration of residential and non-residential components. Through the subdivision approval process, require residential components of mixed-use projects be provided early in the development phasing and in the build-out of large-scale projects.

RECOMMENDATIONS FOR EXISTING INNOVATIVE HOUSING PROGRAMS

Montgomery County has a long and remarkable record of responding to market and non-market forces and developing many programs that promote an adequate supply of housing and enhance the County's neighborhoods. These programs work together to improve the quality of life in Montgomery County and for its residents. This Housing Policy presents recommendations for improvements and enhancements to these successful programs.

1. Moderately Priced Dwelling Unit (MPDU) Program

- Identify incentives and program flexibility that can be added to the MPDU program to achieve the construction of more two-, three- and even four-bedroom MPDUs, especially rental MPDUs.
- Provide additional incentives for projects in the Commercial/Residential (CR) zone, and other similar zones that award points for providing certain public benefits, to developments that will have more MPDUs than required, and for projects having more units with 3-or-more bedrooms.
- Explore financial and other incentives for high-rise rental developments to make the construction of MPDUs more feasible, especially for projects providing more than the minimum amount of MPDUs and for those providing units with more bedrooms. Consider options such as continuing to allow developers to provide MPDUs at another site within the same planning policy area if providing the units at the original location is not financially feasible, or a greater number of MPDUs can be created, and identifying a "receiver" building that could serve as an alternative location for MPDUs and be developed as mixed-income housing.
- Analyze and determine whether allowing a mix of condominium and rental units will make it easier and more feasible to provide MPDUs in high-rise projects.

- Evaluate options to provide rental units for special populations, such as seniors, in transit-oriented development centers.
- Ensure that MPDUs are well integrated into developments and are designed to meet program participants' needs. Update the Planning Department's 1995 "Site Plan Guidelines for Projects Containing MPDUs" to make sure that the guidelines reflect current planning practices and development standards, and unit desirability. Continue to prohibit back-to-back townhouses and determine the feasibility of prohibiting the construction of piggyback and two-over-two style MPDUs, unless the subdivision also includes similar market-rate units. Continue to mandate that MPDUs be dispersed throughout the community.
- Ensure that MPDUs in single-family and townhouse communities are not divided into small associations that are separate from the overall community master homeowner's association (HOA).
- Evaluate existing and proposed zoning regulations to make sure that the overall goal of the MPDU program to disperse affordable housing is maintained. Avoid an over-concentration of too many MPDUs in one building or one section of a community. Subdivisions that contain a mix of housing types need to have affordable units that are well-designed and placed in locations that bring about enhanced community cohesiveness.
- When preparing master plans and zoning changes, understand the impact of height and density restrictions on the financial feasibility of the construction of MPDUs, especially in high-rise construction, because in some instances developers are unable to take advantage of extra bonus density provisions in the Zoning Ordinance, which makes the inclusion of moderately priced units financially difficult.
- Assess innovative approaches to solving the problem of high condominium fees.
- Recognize that the MPDU program is only one element of the County's strategy to address the affordable housing shortage. Continue to explore, create, and implement additional programs to achieve affordability in housing for the very low income, the middle income, and those households in between.

2. Housing Initiative Fund (HIF)

- Investigate the use of an affordable housing impact fee or similar alternative on all new non-residential development to provide funds for the creation of new housing for workers who will fill jobs in the County.
- Research procedures to allow and to encourage contributions and donations to the HIF. Research programs such as the one used in North Dakota that uses contributions from individual, businesses, financial institutions as the primary funding source for the North Dakota Housing Incentive Fund. Contributors receive a dollar-for-dollar state income tax credit in exchange for their financial donation.

3. Workforce Housing Programs

- Develop programs to make sure that Montgomery County's housing stock keeps up with the needs of the workforce.
- Preserve existing privately-owned rental properties with rents affordable to middle-income households, especially properties located in employment growth centers and transit-oriented areas.
- Research the County's existing single-family housing stock, especially in neighborhoods with stagnant prices or a large number of foreclosed homes, and identify programs or initiatives that can be developed to market and sell these homes to middle-income households and to households with incomes just above the MPDU program.
- Analyze the need for voluntary Workforce Housing programs in high-density areas near Metro stations, with a focus on rental housing. Continue the County policy that residents of all incomes have the opportunity to live near Metro stations.

4. State and federally-funded housing renovation and special needs housing programs

- Because Federal funds to Montgomery County have been reduced and are expected to continue to decrease, focus resources on the renovation and improvement of existing group homes to make sure they are well-maintained and able to serve target populations, and on increasing the number of special needs housing units.

5. Housing First And Homelessness Programs

- Increase the number of permanent supportive housing units to meet the unmet needs in the County. Develop specific goals and projects to meet the need for nearly 1,000 units of permanent supportive housing. Continue to focus on reducing the time families and individuals spend in temporary shelters and to decrease the use of motels as overflow emergency shelter for families.
- Increase the supply of permanent rental housing options for low-income households exiting homelessness, and assess the feasibility of creating more single-room occupancy (SRO) units properties and constructing housing with three or more bedrooms for larger families.
- Continue implementation of Housing First Initiative to reduce homelessness. Increase permanent supportive housing for individuals and families exiting homelessness. Assess the feasibility of setting aside more Housing Choice Vouchers for households in the Housing First Program.
- Explore obtaining state funding for more affordable assisted-living options for individuals with developmental and intellectual disabilities, and individuals experiencing homelessness who have a disability.
- Develop a Recuperative Care Facility and other therapeutic recovery programs providing step-down care for homeless persons and persons with chronic behavioral health conditions.

6. County-Funded Rental Assistance Programs

- Increase the number of rental subsidies for low-income households. The long waiting lists demonstrate the unmet need. Identify programs that could provide increased rental subsidies through HOC where funds are available.
- Study the County's rental assistance programs for special populations and, as County funds become available, expand these programs and increase the amount of subsidy to be consistent with current rental market rates.

7. Housing Code Enforcement And Focused Neighborhood Assistance Programs

- Continue the County's vigorous Housing Code Enforcement program to maintain in good condition the County's aging but vital rental housing stock.
- A potential looming large problem is the number of housing units located in common-ownership communities, many built more than twenty years ago. The associations that control these communities maintain sidewalks, roadways, parking lots, playgrounds, recreation facilities, buildings, roofs, and nearly every other possible facility in their communities. Studies should be conducted to determine if the infrastructure in these communities are being maintained, if the communities have adequate financial reserves to maintain their properties.
- Continue to share information between the DHCA Housing Code Enforcement Section and the Department of Permitting Services Zoning Section on investigations into illegal construction and construction of homes with multiple kitchens units.

8. Accessory Apartments

- Remove impediments to accessory apartments by making the application process take less time and be less costly to applicants.
- Consider efforts to streamline the approval process or consider establishing limits on the time allowed for the review of Accessory Apartment Special Exception applications
- Accessory Apartments exist in many communities across the nation. Studies and reports have looked at accessory apartments in communities. None has indicated a correlation between the number of Accessory Apartments in an area and neighborhood decline. The Planning Department could conduct a study of neighborhoods in Montgomery County with Accessory Apartments to determine if they have affected the quality of life, neighborhood stability, or housing values.
- During the Zoning Ordinance Revision, reduce the number of categories that allow for additional units on single-family lots. Eliminate any overlap between uses. Establish clear definitions that can be understood by the community and the agencies charged with enforcement of the Zoning Ordinance.

- Limit the number of occupants of Accessory Apartments to no more than three people. Continue the requirement that Accessory Apartment applicants must live in one of the units.

9. Condominium Conversion Tax Program

- Continue to identify rental properties that are likely to convert to condominium.
- Work with nonprofit housing providers and HOC to acquire at risk rental properties.
- Continue the Condominium Conversion Transfer Tax.

10. Use Of County-Owned Land For Housing

- Include housing affordable for low, moderate, and middle-income households in all suitable public building projects in appropriate locations throughout the County. Projects involving the redevelopment of public land or facilities, such as parking facilities, must provide at least 30% of total units as affordable housing. Property that is designated as parkland is not considered surplus.
- Develop a database of County-owned land that indicates the current use of the site, the zoning, water and sewer classifications, master-planned and approved uses for the site, and that identifies which site should be looked at for possible affordable housing use. DHCA and Planning Department staff have assessed County-owned land several times over the past decade. Development of a database would improve the ability of staff to consider available sites
- Establish housing as a major preferred use when the County sells property. Achieving this objective should take precedence over receiving full market value for the property. The County should establish a price that permits a developer to provide a proportion of affordable housing that exceeds the 12.5% MPDUs now required of residential projects. Developers benefiting from below market pricing of county property should be required to provide at least 30% of the units at below market prices.
- Review the feasibility of establishing a more streamlined process for affordable housing projects on County-owned land where the subdivision of the land, and the overall land uses and densities, are established through the Mandatory Referral process, and the property then goes through normal site plan reviews. Property owned by Montgomery County that will be used for affordable housing should also have access to the mandatory referral process to establish the appropriate zoning and land uses for the site, especially when affordable housing is being built next to County facilities and other County uses or when the zoning of a County-owned property was not addressed in the master plans or if the plan is more than fifteen years old, and the current zoning is not appropriate for the development of mixed uses on a site or for the construction of affordable housing.

KEY DEMOGRAPHIC AND HOUSING INDICATORS

Montgomery County is facing significant changes over the next decade and beyond. Some of these changes will make the County stronger and more vibrant; others will present significant challenges:

Population and Job Growth Forecasts Show Need for More Housing Units

- Montgomery County is expected to gain 225,959 additional residents between 2010 and 2040, a 24% increase, with the result that more than 100,400 households are expected to be added to the County between 2010 and 2040, a 28% increase.
- Between 2010 and 2030, Montgomery County is predicted to gain 163,008 new jobs, a 34% increase, and the County will need between 70,000 and 100,000 new housing units to house these workers. The GMU Center for Regional Analysis states that, “To ensure that new workers are able to live in the region, housing must be available at the right prices and rents.” They estimate that about 39% of the new housing units will need to be in the multi-family rental category to meet the needs of workers.

Estimates of Housing Demand by Unit Type : 2010 - 2030				
Montgomery County				
<i>High Estimate</i>				
Total Units	Single-Family		Multi-family	
	Owner	Rental	Owner	Rental
108,522	29,989	6,669	24,588	47,276
% of total units	27.63%	6.15%	22.66%	43.56%

Source: "Housing the Region's Future Workforce", George Mason University School of Public Policy, Center for Regional Analysis, October 25, 2011

Montgomery County has Stable Income Levels, But Poverty Exists

- Montgomery County residents continue to maintain high median incomes as compared to other communities across the country, but poverty and low incomes affect thousands of residents. In 2010, 7.5% of Montgomery County's population, 72,259 residents, lived in poverty, marking the highest poverty rate in two decades.

The Senior Population Will Increase

- The County had 119,770 seniors aged 65 and above in 2010 (12.3% of the total population), with projections that this number will increase to 174,290 by the year 2020, a 45% increase, and would result in seniors being 16.4% of the total population. Census projections estimate that by 2040, 21% of the County's population will be aged 65 and above
- Demand is increasing for assisted-living senior housing. Estimates of unmet demand show a need for as many as 1,500 assisted living units. There is a potential shortage in housing for seniors with the most needs.

Homelessness Continues

- Despite vigorous efforts, the demand is steady for housing for individuals and families transitioning from homelessness.

Housing is Expensive and Households, Especially Lower Income Families, Need Help

- In 2010, County agencies provided rental subsidies *using County funds* to more than 2,100 low income households, people with mental illness living in a group home, and families that have experienced homelessness or were at risk of homelessness. County rental subsidy programs have long waiting lists, in addition to federally funded rental subsidy programs.
- The County continues to have very low rental vacancy rates and increasing annual turnover rent increases. In 2011, all rents in the County averaged \$1,442 per month, up from \$928 in 2000, a 5% average increase each year, totaling a 55% increase over the decade.
- Many renters are paying a greater share of their income toward rent. Approximately 53,000 Montgomery County renter households, or 50.8%, were paying 30% or more of their income in gross rent. Nearly 25% of all households in the County cannot afford the cost of the average rent in Montgomery County.
- The County has a severe deficiency of affordable housing for larger households, especially three- and four-bedroom units.
- The deeply subsidized multi-family rental stock includes 44 communities and 4,273 units. In 2010, these properties had long waiting lists.
- The County's housing stock is aging. The County's housing stock overall is in sound condition, with most homes and apartment buildings being free of housing code violations and in good repair. Many homes and neighborhoods could be at risk of deterioration as they age. While 24% of the County's housing units were built in the past 20 years, more than 50% are more than thirty years old. While 24% of the County's housing units were built in the past 20 years, more than 50% are more than thirty years old.

CHAPTER I

HOUSING POLICY PURPOSE, PRINCIPLES, AND OBJECTIVES

Introduction

Safe, decent, and affordable homes are the cornerstones of strong, vibrant neighborhoods. The vision for Montgomery County is *for all of its residents to have decent housing in sound neighborhoods, building a community in which families can grow and flourish.*

Montgomery County is one of the finest communities in the nation, offering a wide range of housing types, in various price ranges, for rent and for sale. It has fine neighborhoods with excellent public services and community facilities. Job opportunities abound.

Today, nevertheless, a decent and affordable home is not available to all who live or work in the county. In too many cases, people are paying more than they can afford for their housing. Some cannot pay for necessary maintenance. Some elderly residents cannot find suitable places that are affordable and near family members. Some of the less fortunate in our community fail to find affordable and sound housing because they have special needs, such as disabilities or mental illness, and require supportive services. There are workers who cannot find decent and affordable housing near their jobs and must spend hours commuting. This Housing Policy will examine these issues.

Planning Context

Housing Element to the General Plan

The Montgomery County Council adopted an Amendment to the Housing Element to the General Plan on March 29, 2011. The Housing Element spells out three goals:

- Conservation and care of existing neighborhoods and the existing housing stock.
- Concentrate new housing in mixed-use, transit-oriented areas.
- Encourage and maintain a wide choice of housing types and neighborhoods for people of all incomes, ages, lifestyles, and physical capabilities at appropriate locations and densities. Implement policies to bridge any housing affordability gaps.

The Housing Element then goes on to lay out four objectives to carry out these goals and these objectives are incorporated into this Housing Policy:

1. Housing and Neighborhood Connectivity: Concentrate most new housing near public transportation and provide easy, multi-modal connections to jobs, schools, shopping, recreation, and other leisure activities.
2. Diverse Housing and Neighborhoods: Create diversity in the type and size of units, neighborhoods, facilities, and programs to accommodate current and future residents.
3. Housing and the Environment: Provide economically and environmentally sustainable housing and neighborhoods.

4. Housing and Neighborhood Design: Create more balanced, attractive, and walkable neighborhoods through regulatory reform of private developments and leadership in design of public projects.

The complete Housing Element of the General Plan is in Appendix D.

Scope of the Housing Policy

This Housing Policy will look at all aspects of housing in Montgomery County. However, the report will focus on analyzing housing problems and making recommendations for solutions to housing issues facing Montgomery County. This policy will not focus solely on affordable housing, but since the lack of affordable housing is a significant problem in Montgomery County and in the region, affordable housing will be looked at in detail.

What does the term “affordable housing” mean?

The Montgomery County Housing Element puts forward the following definition for affordable housing:

Affordable Housing – Housing is considered affordable when approximately 30%-35% of a household’s gross income (for households earning up to 120% of area median income) is spent on rent or principal, interest, condominium or homeowners association fees, property taxes, and private mortgage insurance.

Moderate income – households earning between 50% and 80% of area median income (This is the U. S. Department of Housing and Urban Development’s definition of low income).

Low Income – households earning up to 50% of area median income (This is the U. S. Department of Housing and Urban Development’s definition of very low income and the County’s definition for Low Income included in Chapter 25B of the County Code).

Middle Income – households earning between 80% and 120% of area median income. (This definition includes the income range for the County’s voluntary Workforce Housing program.)

Following the precedent set by the Housing Element, this Housing Policy uses the same definition of affordable housing. In many instances however, the policies and recommendations established in this policy will focus on more on households with incomes below moderate income in order to concentrate scarce County resources on those with the greatest need.

Building on the goals and objectives of the Housing Element of the General Plan, in our vision we see Montgomery County as a place where:

- Everyone has a place to call home — no one is homeless.
- Neighborhoods are safe and sound, with community services and well-maintained facilities.
- All housing is in sound condition and meets all building maintenance codes.

- Each housing unit has adequate living space for its occupants.
- Affordable housing exists for all who live or work in the County, regardless of age or income.
- People receive appropriate housing and services for each stage of life and can remain in the community as they grow older.
- There is no discrimination in choosing a place to live, regardless of race, color, religious creed, ancestry, national origin, sex, sexual orientation, marital status, presence of children, age, physical or mental disability, or source of income.
- Housing opportunities and supportive services are available for those who have mobility or sensory impairment, developmental or emotional disabilities, or mental illness.

To meet this vision, this Housing Policy establishes action plans for meeting the four objectives of the Housing Element. These action plans fit within the overall goals of this Housing Policy that Montgomery will:

- **Preserve the existing regulated affordable housing stock, striving for no net loss of income-restricted affordable housing.**
- **Increase the number of affordable housing units.**
- **Conserve and care for Montgomery County's residential neighborhoods, and develop and invest in quality communities.**
- **Strive to prevent homelessness and find homes for the homeless.**
- **Support the development of new housing, especially in transit-oriented areas.**

We will work to achieve this vision with:

- The commitment of citizens, community leaders, housing providers, and public employees.
- Funding and appropriate planning.

This Housing Policy endorses this vision and will help make this vision a reality.

CHAPTER II

ESTABLISHING RESPONSIVE POLICIES AND ACTION PLANS

Montgomery County's goal is to have a wide choice of housing types and quality neighborhoods at densities and locations suitable for of its residents. To achieve this, the County established three goals in the 2011 update to the Housing Element of the General Plan.

Goals of the Montgomery County Housing Element

1. Conserve and care for existing neighborhoods and the existing housing stock.
2. Concentrate new housing in mixed-use, transit-oriented areas.
3. Encourage and maintain a wide choice of housing types and neighborhoods for people of all incomes, ages, lifestyles, and physical capabilities at appropriate locations and densities. Implement policies to bridge any housing affordability gaps.

The Housing Element then goes on to lay out four objectives to carry out these goals, and identifies policies and strategies to achieve them. To achieve the three goals listed above, the County needs strategies and action plans that will lead toward meeting these objectives:

Four Objectives of the Montgomery County Housing Element

Objective 1

Housing and Neighborhood Connectivity: Concentrate most new housing near public transportation and provide easy, multi-modal connections to jobs, schools, shopping, recreation, and other leisure activities.

Objective 2

Diverse Housing and Neighborhoods: Create diversity in the type and size of units, neighborhoods, facilities, and programs to accommodate current and future residents.

Objective 3

Housing and the Environment: Provide economically and environmentally sustainable housing and neighborhoods.

Objective 4

Housing and Neighborhood Design: Create more balanced, attractive, and walkable neighborhoods through regulatory reform of private developments and leadership in design of public projects.

This Housing Policy supports these objectives and will identify actions that can be taken to carry out these objectives.

Objective 1: Housing and Neighborhood Connectivity

Concentrate most new housing near public transportation and provide easy, multi-modal connections to jobs, schools, shopping, recreation, and other leisure activities.

A. Plan for and promote new residential construction — Focus growth in higher density, mixed-use, transit-oriented centers to meet important planning objectives, including providing housing for County residents and workers filling the County’s future jobs, reducing the per capita carbon footprint of new growth, diversifying the housing stock, and creating vibrant pedestrian-oriented, live/work communities.

Action Plans

- Encourage housing development of varying types and price ranges, recognizing that the greatest need is for more rental housing to meet the housing needs for the County’s expected 163,000 net new workers by 2030.
- Higher densities and smaller units can combine with lower energy and transportation costs to bring the cost of living in the County within affordable ranges for many more residents, whether they are new to the area, acquiring a first home, or changing homes as their needs and circumstances change.
- Provide adequate zoning capacity to meet the current and future housing needs of those who live or work in the County. Assess potential for higher density residential redevelopment, especially in transit-serviceable areas. Develop master plans and development plans that encourage residential development and redevelopment capacity to accommodate forecasted employment and population growth. Implement changes through the master planning and sectional map amendment processes.
- Give housing the first priority consideration when there is a change of use or ownership of publicly-owned land.
- Build housing on excess County-owned land next to government facilities.
- Implement County policies that result in a balanced distribution of housing in each price range in all the planning areas of the County.
- Monitor the supply and demand of housing units, especially those affordable to lower and middle income households, to see if adjustments should be made to policies or programs. Update the Analysis of the Supply & Demand for Housing, dated June 28, 2008 prepared by the Montgomery County Planning Department, to determine new trends and conditions, and publish regular updates approximately every five years.

- Explore ways to improve the relative economic feasibility of housing development in mixed-use developments. Identify tools to enhance economic feasibility of residential development, especially in central business district areas.
- Design regulatory requirements and taxes in ways to support the development of rental apartments with two, three and more bedrooms to meet the needs of larger households.
- Promote variety and choice in housing of quality design and durable construction in various types of new and existing neighborhoods in conformance with the County’s General Plan.

B. Promote housing, especially higher density and mixed housing types, in transit-oriented areas and employment centers — Increase the variety of housing densities in transit-oriented areas to provide more choices to a broader economic range of households. Plan and provide incentives to locate residential development in close proximity to commercial development and employment, with the highest density near transit in order to provide an easy connection to jobs, schools, shopping, County services, and recreation.

Action Plans

- Concentrate and promote housing in high-density, mixed-use transit-oriented areas and seek to develop new zones that allow for mixed uses, provide increased opportunities for residential development, and encourage sound infill development.
- Phase mixed-use development so that housing is constructed in a timely fashion relative to other uses within the project.
- Inventory and assess the residential development potential of sites near employment and transit centers, including the reuse of non-residential structures and on publicly-owned sites such as parking lots in central business district areas.
- Designate specific locations of higher density housing in sufficient amounts in master plans and other planning documents.
- As older strip commercial areas and surface parking lots are redeveloped, include housing and improve non-vehicular connectivity through the most direct pedestrian and bike routes between homes, jobs, retail, recreation, schools, and public services.
- Plan the uses at the edges of high-density centers to be compatible with existing neighborhoods and protect adjacent low-density residential neighborhoods.

C. Promote more inclusionary and mixed-income communities — Plan and set targets for an adequate supply of affordable housing in communities throughout the County for those living or working in Montgomery County. Develop zoning and housing policies that support the development of affordable housing throughout the County, including in central business district areas and in redeveloping areas.

Action Plans

- Foster the construction of well-designed affordable housing that is compatible with surrounding development. Ensure that affordable housing is maintained properly.
- Identify and set aside areas for the provision of affordable housing in large-scale planned development through a variety of approaches, including the MPDU Program.
- Distribute locations of affordable housing equitably throughout the County. DHCA should continue to partner and work with HOC, nonprofits, and for-profit housing developers to use the federal Low Income Housing Tax Credit Program, the State Partnership Rental Housing Program, and other federal and state programs to construct and acquire affordable housing.
- Assess publicly-owned sites for affordable and mixed-income housing, especially in underserved areas.
- Seek adoption of inclusionary zoning ordinances by municipalities in Montgomery County that do not have such programs.

D. Expand affordable housing — Add to the amount of affordable housing in Montgomery County to meet the housing needs of existing households and the future population forecasts. Modify existing programs and design new programs that will result in the construction and development of affordable housing units.

Action Plans

- Aid the construction of new affordable housing throughout the County by making sure the Zoning Ordinance allows for it, providing innovative financing, and including affordable housing goals in master plans.
- Reduce disincentives that limit the development of affordable dwelling units and increase incentives for the production of MPDUs above the statutory requirements.
- Create and design incentives that will lead to the construction of well-located affordable rental housing.
- Work with developers of affordable housing to enhance the architectural compatibility of all assisted housing.
- Continue to partner and work with HOC, nonprofit housing providers, and private developers and lenders in the provision of affordable housing. Seek business support of affordable housing initiatives.
- Identify and secure adequate fiscal resources or assistance measures to meet the current and future unmet affordable housing demand. Expand funding of affordable housing and enhance county programs that provide assisted housing, including HIF financing, homeownership assistance, the leveraging and layering of other public and private funding sources, and public and private homeownership assistance near employment centers.

- Encourage faith-based organizations, non-profit agencies, neighborhood housing groups, and employers to use their existing property or to purchase land and buildings for the production and preservation of housing affordable to households with low and moderate incomes by providing technical assistance, predevelopment funds, and County development financing in conjunction with other lenders.
- Analyze, and if necessary, increase incentives for moderately priced dwelling unit production in high-rise developments.
- Expand the requirement that financial institutions doing business with the County participate in community lending activities.
- Develop projects that mix condominiums and rental units, allowing affordable units to avoid high condominium fees. Assess the feasibility of creating a program to assist low-income condominium owners, especially seniors, with condominium fees.

E. Encourage employer participation — Seek employer support in meeting housing needs.

Action Plans

- Assess employers' housing needs, especially for entry level and service sector employees.
- Develop a public-private partnership program to increase the supply of housing meeting the needs of employees.
- Provide incentives to encourage employers to develop mixed-income housing at employment centers by redeveloping surface parking lots and underutilized property, and creating transit-oriented developments.
- Create employer-supported homebuyer and renter counseling programs, and assess the feasibility of developing programs for employer contributions to closing cost and down-payment assistance programs.

F. Promote infill residential development and adaptive reuse — Promote housing as an adaptive reuse of vacant non-residential buildings and provide for appropriate redevelopment of residential property in compliance with land use, zoning and master plans.

Action Plans

- Ensure that the Zoning Ordinance facilitates adaptive reuse by providing commercial, residential and mixed-use zones that allow a mix of commercial and residential development. Evaluate and consider implementing various incentives such as waiving density restrictions, allowing reduced parking requirements, allowing mezzanines and other space to be added in the building without considering the added space as new floor area, and grandfathering-in nonconforming floor areas, setbacks and heights.

- Through master plans and special County-initiated studies, assess vacant or obsolete buildings for renewal. Inventory and assess privately- and publicly-owned buildings suitable for conversion to residential use.
- Maintain guidelines that infill housing must be compatible with surrounding uses. Mix infill housing and other uses in ways that promote compatibility and address residents' need for safety, privacy, and attractive surroundings.
- Request that the Planning Department study the possibility of co-locating housing in existing office parks and other land uses that feature out-of-date or excessive parking and green space. Increase infill-housing opportunities in suburban office parks, shopping centers, and other underused properties.
- Encourage revisions to the zoning ordinance that award points to adaptive reuse optional method development projects. In addition, proposals such as reduced parking requirements assist adaptive reuse efforts. Revisions will need to take care to provide neighborhood compatibility guidelines for residential infill projects.

Objective 2: Diverse Housing and Neighborhoods

Create diversity in the type and size of units, neighborhoods, facilities, and programs to accommodate current and future residents.

A. Housing for all stages of life — Provide a sufficient housing supply to serve the County's existing and planned employment and the changing needs of its residents at various stages of life.

Action Plans

- Make housing affordable to low, moderate, and middle-income households a priority in all parts of the County. Continue to provide County financing for the creation and preservation of housing for those working in Montgomery County, and for those who call Montgomery County home.
- Create and provide incentives for the development of housing for diverse residential needs, including housing for the elderly, for persons with disabilities, for persons with mental illness, for persons transitioning from homelessness, and for persons with AIDS.
- Create and preserve housing for families with children.
- Create programs and housing that allow seniors to remain in their community.
- Encourage redevelopment and rehabilitation of deteriorating or aging residential multi-family properties while protecting the well-being of current residents and minimizing displacement of at-risk residents.

B. Preserve existing neighborhoods — Protect residential neighborhoods from excessive traffic and discourage spillover parking from non-residential areas. Set policies and enforce them to assure that the County’s residential neighborhoods continue to be a source of well-maintained housing and provide an attractive choice for households.

Action Plans

- Continue to enforce requirements for the maintenance of the high quality of housing and provide adequate public infrastructure in existing neighborhoods. Take actions to ensure that older neighborhoods, especially communities at risk of decline, remain attractive and viable for homebuyers by renewing neighborhood infrastructure, promoting neighborhood stabilization, and addressing streetscaping and neighborhood desirability issues.
- Prevent encroachment on existing neighborhoods by uses not allowed by the zoning ordinance or recommended by the area master plan. Preserve single-family rental housing as one of many housing alternatives in the County.
- Plan with care the uses at the edges of high-density centers to promote compatibility with existing neighborhoods and protect residential neighborhoods.
- Maintain and enhance the quality and safety of housing and neighborhoods.
- Continue to pay attention in master plans to protecting existing neighborhoods, maintaining the quality of established neighborhoods, and sustaining the quality of homes. Take care to preserve the stability and residential integrity of existing single-family home neighborhoods. Maintain and enhance the quality and safety of housing and neighborhoods.
- Provide well-funded and extensive housing code enforcement and rehabilitation loan programs to discourage deterioration of housing. Expand interagency efforts to revitalize and renew neighborhoods, including implementing a concentrated code enforcement program of neighborhood-wide inspections for housing code, solid waste, and parking violations. Provide focused neighborhood assistance. Offer financial incentives to owners of older housing for repair and improvements. Continue rehabilitation loan program for repairs and accessibility improvements.

C. Preserve existing regulated affordable housing — Preserve existing federal, state, or County-financed affordable housing.

Action Plans

- Update the comprehensive list of price and income-controlled multi-family properties, including federal, state, and County assisted and regulated multi-family housing.
- Assess affordable housing likely to be threatened by redevelopment, conversion to condominium status, or other displacement of low- and moderate-income residents.
- Work proactively with owners of affordable housing to understand and develop preservation plans for properties. Maintain close contact with apartment owners and industry

representatives to get advanced notice of potential sales. County law requires that owners notify DHCA and HOC of contract sales or conversions of multi-family housing.

- Use HIF acquisition and rehabilitation loans and right-of-first-refusal contracts to acquire and preserve extended affordability in housing developments.
- Improve maintenance, renovation, and upkeep of scattered-site, assisted housing programs.

D. Preserve privately-owned affordable housing — Preserve existing privately-owned and unregulated rental housing providing affordable rents.

Action Plans

- Identify transit-oriented areas where redevelopment is likely to occur. Assess existing privately owned multi-family housing with affordable rents likely to be threatened by redevelopment, conversion to condominium status, or other displacement of low- and moderate-income residents, or loss of affordable units.
- Develop strategies to preserve these “naturally occurring” rental properties through measures such as providing a loan to the owner to renovate the property and maintain the affordable rents.
- Work with HOC and non-profit housing providers to identify at risk properties and provide assistance and financing for the acquisition and preservation of naturally occurring affordable rental properties.
- Encourage renovation and redevelopment of residential properties that protect the well-being of current residents and minimize the displacement of at-risk residents.
- Continue the County’s Voluntary Rent Guideline Program. Since 1983, Montgomery County has established a voluntary rent increase amount as guidance to landlords and property owners. DHCA should evaluate the criteria used to establish the voluntary rent guideline to make sure that the suggested increase amount is an accurate reflection of increased costs. The County should continue to negotiate with landlords that do not follow the voluntary guidelines to minimize impacts on tenants, especially senior citizens, persons with special needs, and long-term residents. Voluntary rent guidelines can be a valuable tool in keeping rent increases reasonable.
- Provide training and assistance to landlords to maintain apartment buildings in good condition and to operate properties in a financially feasible way.

E. Provide affordable housing with support services and provide supportive services to scattered-site housing residents — Coordinate the availability of affordable housing units and needed support services for persons with special needs, including those persons transitioning from homelessness.

Action Plans

- Continue and enhance interagency initiatives for providing a seamless combination of affordable housing and supportive services to seniors and to those with special needs.
- Continue to have HOC, HHS, and the County's non-profit organizations cooperate and collaborate to provide high quality housing and social service supports to low-income families to greatly improve their chances for success
- Continue to provide, and expand resources, to serve rental households in crisis and at risk of evictions.
- Recognize that counselors are required to serve residents in scattered-site housing. Providing affordable units in all areas of the County, the underlying principle of the MPDU law and Montgomery County's affordable housing programs, is desirable and has provided enormous benefits, such as the educational achievements of the children of those households. At the same time, providing timely support to low income families in scattered units requires a higher ratio of staff to households than providing the same level of support to low income families who live in clustered communities.

F. Provide more special needs housing — Encourage production of housing for populations with special needs. Develop additional techniques to provide housing opportunities to meet the special housing needs of the elderly and persons with disabilities.

Action Plans

- Update the comprehensive inventory of special needs housing.
- Continue to develop forecasts of special needs populations.
- Identify and implement programs to meet any shortfall of special needs housing. As funds are available, increase rental subsidies and opportunities to the most at risk populations. Obtain additional federal funds when possible.
- Increase supply of adaptable housing with basic accessibility design elements.
- Include goals for affordable and assisted housing in master plans and designate suitable sites for elderly housing and other special needs housing.
- Continue to encourage housing developments to provide units adaptable for persons with disabilities, as required by the federal Fair Housing Act and the County building code.
- Explore incentives, such as density bonuses, to developers who provide special needs housing. As the Zoning Ordinance is revised, make sure that special needs housing and elderly housing continue to be available options in all locations.
- Support development of group homes with acquisition and rehabilitation loans. Continue the enforcement of fair housing laws allowing group homes to exist in all areas of the County.

G. Expand housing to serve households moving from homelessness — Provide adequate resources to allow families and individuals to transition from homelessness into housing with support services.

Action Plans

- Conduct inventory of rental housing to identify apartments that can be appropriate for transitioning from homelessness.
- Continue to implement the Housing First program.
- Increase the supply and affordability of appropriately designed and located permanent supportive housing for those who have experienced homelessness.

H. Expand the supply of affordable rental senior housing — Promote choices of dwelling types so that as the needs and preferences of older adults change, they can age in place, downsize, choose rental or ownership or find housing with the appropriate level of supportive services without having to leave the community.

Action Plans

- Promote and make more affordable senior housing available. Develop affordable senior housing, especially affordable elderly assisted living, on County-owned land, and in projects assisted with County funds.
- Consider the needs of both current and prospective older residents in new and existing construction and redevelopment.
- Include affordable senior housing in the high-density master planned communities at transit stops.
- Promote programs and options for seniors to “age in place” appropriately. Assist and encourage efforts to create concepts such as villages and other options that use neighborhood-level supports to help individuals remain in their community. Consider the development of a system of distributed supportive services and facilities for seniors so they can remain in their own homes and neighborhoods as they age.
- Include public-private partnerships as an option to providing housing suitable for older adults.
- Explore zoning and regulatory changes to ease approval of elderly housing development. As the Zoning Ordinance is being rewritten, make sure to retain a use that is similar to the current Special Exception for Housing and Related Facilities for Senior Adults and Persons with Disabilities. Develop standard compatibility criteria for elderly housing and study ways to make the special exception approval process more cost effective and responsive.
- Promote Design for Aging in Place by encouraging housing designs that accommodate or adapt to persons aging in place and to persons with disabilities. Encourage walkable

communities and mixed use zoning so that residents can choose to live within walking distance of basic amenities.

- Analyze census and housing market studies to determine the number of senior housing units that need to be developed, and to determine the income levels needed to meet the needs of seniors.
- Expand opportunities for increasing the number of units offering assisted living for lower income seniors. Research by the Planning Department and the Department of Housing and Community Affairs documents that there is an adequate supply of market-rate and high end assisted living options, but that there is a serious deficiency of assisted living for moderate and low-income seniors.
- Continue the existing property tax relief program that allows homeowners with incomes under \$64,000 receive a property tax credit based on a percentage of income and gives eligible owners aged 70 and older an extra 25% credit on top of that tax credit.
- Increase County residents' access to information about housing choices and related services, and educate seniors, their families, and landlords about options to enhance the livability and visitability of their homes as they age through options such as adding grab bars in bathrooms, and similar devices to existing homes.
- Consider creating a program to assist low-income condominium owners with condominium fees. Condominium fees inevitably rise with rising utility costs and maintenance needs. Meanwhile, many long-term, older owners live on fixed incomes with increasingly limited buying power. Many County seniors are able to afford rental apartments through various rental assistance programs. A similar program for low-income condominium owners could allow them to continue to afford their present homes.
- Encourage faith-based groups and communities to develop affordable senior housing on their properties where development potential exists.
- Analyze existing County rental subsidy programs, senior housing facilities, food assistance subsidies, and other programs for seniors to determine the service needs and the housing needs of seniors in Montgomery County. Questions such as the following should be considered:
 - What level of support is needed by seniors in Montgomery County at various ages and at various levels of physical health
 - Do seniors receiving rental subsidies or living in affordable senior properties need different or similar types of services?
 - Do most seniors need rental subsidies similar to those offered by the federal Housing Choice Voucher program where the amount of subsidy is based on a household's income, or do seniors need a "shallow" rental subsidy program where eligible lower income seniors receive a rental subsidy that is capped at a fixed dollar amount, such as \$250.00 per month?

I. Encourage Visitability in housing — Incorporating design features and visitability improvements such as a no-step entrance, wider doors, and barrier-free entrances in housing make it easier and safer to bring in a baby stroller, move in large furniture, assist a person living with a temporary or permanent disability, and accommodate friends or relatives who have mobility limitations. Ultimately, these features also will help people age in place.

Action Plans

- Encourage developers to incorporate visitability design features in their projects.
- Analyze impediments to the construction of new and renovated housing units that are visitable or fully accessible. Determine if changes can be made to simplify the process and cost for making visitability modifications to existing homes and multi-family properties.
- Provide rehabilitation funds to eligible homeowners and expand technical assistance to homebuilders and homeowners working to create visitable or accessible homes.
- Review County policies and procedures to make sure they allow developers and residents to comply with the state law that requires that a homebuilder who constructs 11 or more new homes in a subdivision to offer minimum visitability features as an option for purchase.
- Create incentives to encourage housing to be accessible by elevators in new construction of mixed-use developments where stores are on the first floor and housing is on the upper levels. Create incentives to builders and homeowners that include or add “visitable” or “livable” features to their homes.
- Provide increased education and outreach for the Design for Life Montgomery program in cooperation with DPS by creating a resource there to help market the program when applicants apply for building permits. In consultation with DPS, DHCA, or the American Institute of Architects, provide technical assistance to families seeking cost-effective ways to modify their homes when a member has a mobility disability.
- Require developers on County-owned land or taking advantage of County funding to incorporate visitability design features in the design of their projects.
- Support mixed-use and transit-oriented development zones that allow for the maximum number of affordable and accessible housing units to be built in close proximity to transit centers and employment.

J. Analyze and address home foreclosures — The financial crisis of the past several years continues to result in too many foreclosed homes in some neighborhoods now, and even more at risk of foreclosure in the future.

- Continue and increase as necessary the County’s programs to address foreclosure initiatives to prevent foreclosures, mitigate the impact of foreclosures, and preserve affordable housing.
- Continue to hold foreclosure prevention and financial awareness workshops, and outreach and educational events for homeowners at risk of, or in the process of, foreclosure.

- Continue to assist in governmental and media efforts to make homeowners aware of foreclosure prevention scams, predatory lending schemes, and other risky lending practices.
- Work with the financial and the real estate community to assess the inventory of vacant foreclosed homes and explore alternatives for getting these properties occupied again, such as purchase by HOC or nonprofits for lease or sale to income eligible households.
- Analyze the locations of foreclosed properties, and homes at risk of foreclosure, and verify which neighborhoods have the highest concentration. Determine if any features or problems with the neighborhoods increase the risk of foreclosure and identify actions the County can take, if any, to reduce the likelihood of foreclosures in the area, such as making infrastructure improvements, repairing homes, reducing crime, or working with lenders to help homeowners.

K. Promote and enforce fair housing and equal opportunity housing laws — Continue to enforce equal housing opportunity laws. Promote and enforce fair housing ordinances to guarantee that all residents have an equal opportunity to purchase, rent, finance, and occupy housing in the County.

Action Plans

- Continue enforcement efforts of fair housing laws, including households with subsidies. Address all fair housing issues, such as discrimination in rental or sale of housing, insurance, and mortgage lending, including predatory lending practices. Conduct testing of rental, sales, and lending practices to ensure compliance with fair housing laws.
- Monitor and encourage expanded community lending activities under the Community Reinvestment Act. Combat predatory lending practices.
- Continue to require that banking and other lending institutions contracting with Montgomery County are engaging in fair housing and fair lending practices.
- Educate the public, current residents, prospective residents, housing providers, lenders, agents, appraisers, management associations, common ownership associations, and others involved in the rental or purchase of housing about their rights and responsibilities under the fair housing law. Look at options such as developing information to be taught in schools and in continuing education credits for the real estate industry.
- Make the County a Model for Fair Housing. Review all County housing programs to determine that they comply with the spirit and letter of equal housing opportunity laws and make County housing programs models of fair housing compliance.

Objective 3. Housing and the Environment

Provide economically and environmentally sustainable housing and neighborhoods.

A. Encourage sustainable, green development and environmental sensitivity in housing, neighborhood design, and redevelopment — Strive to sustain and improve the natural environment in Montgomery County by protecting the ecosystems that purify air and water and provide habitat for living things.

- Support design and encourage development that helps the environment and contributes to healthier, happier communities.
- Reduce the County's carbon footprint.
- Continue to plan for, encourage, and develop transit-oriented developments.
- Create walkable communities where residents can walk to work, recreation and retail.
- Continue to adopt green and energy efficient building standards for new construction.
- Encourage the use of green and energy efficient design and materials in residential renovations to create more sustainable housing, on-site energy production, and water conservation.
- Assist property owners and developers to analyze natural resources and develop properties with the goal of promoting environmental sustainability.
- Encourage tree planting and water infiltration structures in parking lots, and encourage green roofs on large buildings.
- Incorporate street tree planting into infrastructure improvements, making sure to put the right size tree in the right place so trees do not interfere with power lines or other utilities.

B. Reduce energy consumption — Encourage the use of design features, the installation of energy efficient systems and appliances, and the adoption of regulations that reduce residential energy consumption.

Action Plans

- Review and amend as necessary building codes, code enforcement procedures, and other housing programs that regulate remodeling and reconstruction of infrastructure to encourage and require energy conservation measures.
- Continue to provide loans and grants through the State and Federal Weatherization program to assist lower-income homeowners to install Energy Star appliances, insulate their homes, and make other energy saving improvements.

- Provide information on the County web site and through other means to homeowners and rental owners to encourage the use of energy efficient appliances, water saving devices, and energy conservation measures.

C. Conserve water and protect water quality — Continue to encourage changes and establish policies that reduce residential water consumption and promote measures that reduce water pollution.

Action Plans

- Review and amend as necessary building codes, code enforcement procedures, and other housing programs that regulate remodeling and reconstruction of infrastructure.
- Continue to require that new developments comply with high water quality and stormwater management guidelines.
- Continue to provide information on the County website on drought-tolerant native species and water conserving measures.
- Make improvements that reduce problem drainage and protect water quality in communities, especially in target areas and lower-income neighborhoods.

Objective 4. Housing and Neighborhood Design

Create more balanced, attractive, and walkable neighborhoods through regulatory reform of private developments and leadership in design of public projects.

A. Include affordable housing as a goal in all master plans — Since Master Plans set the course for development in an area, analysis of residential development, especially affordable housing, must be a priority.

Action Plans

- Add “Increasing and Preserving Affordable Housing” as an objective in all master plans.
- Include recommendations in master plans for affordable housing sites and locations, and for the use of county-owned sites for affordable housing.
- Include housing diversity as a goal in all master plans. Evaluate and establish goals in master plans for the location of senior housing, mixed income housing, and special needs housing.
- During the Zoning Ordinance Revision process, evaluate the Zoning Ordinance and other development regulations to make sure they reflect the goals of providing housing near transit, jobs, and services.
- Review master plans and amend as necessary to carry out revisions to the Zoning Ordinance and changes to development procedures and policies recommended in the Housing Element

and in this Housing Policy. Implement changes through sectional map amendments rather than waiting for a new sector plan or master plan to be developed.

- Establish procedures to require that master plans consider the potential for higher density residential redevelopment, especially in transit-oriented areas.

B. Foster the development of more than the minimum MPDUs — Encourage developments that provide additional affordable housing.

Action Plans

- Establish and provide incentives to developers to build additional MPDUs and other forms of affordable housing. The benefit of the incentive should increase proportionately with the increase in the proportion of affordable units provided.
- Consider incentives such as increased heights, additional density, and waiver of transportation and school construction impact taxes, fees from the Washington Suburban Sanitary Commission (WSSC), and other fees and taxes that contribute to increased costs of developing affordable housing.

C. Reduce housing development costs — Reduce the costs of development approval fees and costs that restrict housing affordability where possible.

Action Plans

- Streamline and simplify approval processes that lead to unnecessary delays and increased expenses, and add to the difficulty of delivering affordable homes. Evaluate County policies and procedures to determine if any that increase the costs of producing housing can be reduced.
- Continue exempting price-controlled housing from County excise and impact taxes.
- Support smart codes initiatives that provide flexible building and life safety codes when renovating older residential buildings and when converting non-residential buildings to housing.
- Revise regulatory requirements and procedures that discourage production of affordable housing units. Establish regulations that produce a wide and diverse range of affordable unit types and sizes.
- Continue to allow affordable housing projects to be eligible for the Green Tape Program in DPS that allows for the expedited review and processing of applications for residential or mixed-use developments that designate at least 20% of the total number of housing units to persons or families with incomes at or below the income eligibility level for MPDUs. Continue the participation of WSSC and the Planning Department in this “green tape” initiative to expedite their review of these projects.

- Evaluate parking and special exception requirements to determine if they present excessive or unnecessary barriers to develop affordable and special needs housing, especially in transit-oriented areas. Amend or remove unnecessary or overly burdensome requirements.
- Assess the effect on affordable housing of converting areas from the current high-density zones such as the Central Business and Transit Station zones, to new zones under consideration or revisions being contemplated through the Zoning Ordinance Revision process. Make sure these changes provide incentives for providing housing, and especially affordable housing, in transit-oriented areas.
- Meet with major utility companies to determine ways to expedite relocation and required addition or upgrading of utility services. Focus efforts on PEPCO, Washington Gas, and WSSC.

D. Streamline and amend the development review process — Continue to assess the County’s development regulations and review processes to find ways to streamline and amend the process to encourage, and reduce the costs of, housing development.

Action Plans

- Continue provisions in the Zoning Ordinance, and streamline the review procedures, that allow development with innovative housing types to meet the needs of small households and special needs populations, including accessory apartments, single-room occupancy units, and group homes.
- Develop mechanisms to provide housing for households transitioning from homelessness, short-term housing for employees working on short-term projects in the high-technology and bio-technology industries, and for entry-level employees. Seek the involvement of private employers.
- Through the subdivision approval process, require residential components of mixed-use projects be provided early in the development phasing and in the build-out of large-scale projects.
- Provide flexible development standards for mixed-use projects to allow for the full integration of residential and non-residential components.
- Continue to consolidate construction inspections previously conducted separately by several agencies such as the DPS and the Department of Fire and Rescue Services.
- Support efforts by the Planning Department to change the way it reviews building permits. Create similar streamlining efforts that reduce the length of time in the review of housing-related special exceptions and development plans.
- Continue efforts by County departments and the Planning Department to collaborate to make their customer services more business-friendly and make it easier to navigate the development process and obtain building permits.

CHAPTER III

REVIEW OF EXISTING INNOVATIVE HOUSING PROGRAMS

Tools for promoting housing and communities

Montgomery County has a long and remarkable record of responding to market and non-market forces and developing many programs that promote an adequate supply of housing and enhance the County's neighborhoods. These programs work together to improve the quality of life in Montgomery County and for its residents.

In this chapter, the following ten programs are reviewed in depth:

1. The Moderately Priced Dwelling Unit (MPDU) Program, Montgomery County's innovative inclusionary zoning program
2. The Montgomery Housing Initiative Fund (HIF) that provides loans for the creation or preservation of affordable housing
3. Workforce housing programs
4. State and federally-funded housing renovation and special needs housing programs
5. Housing First and homelessness housing programs
6. County-funded rental assistance programs
7. Housing Code Enforcement and focused neighborhood assistance programs
8. Accessory Apartments
9. Condominium Conversion Tax Program, and
10. Use of County-owned land for housing

These programs provide opportunities for the construction of new affordable housing for individuals and families not served by the private market, and for the renovation of existing homes to make sure the County's housing stock remains in sound condition. These programs supplement the private housing market and add to the range of housing opportunities in the County.

These programs work in conjunction with other important County programs that will not be reviewed here but continue to promote and provide for the County's housing needs. The other County programs, policies, and projects currently available to enhance the community include:

- Preserving agricultural land and open space through the Transfer of Development Rights (TDR) Program and other agricultural land preservation programs.

- Assisting with the development and renovation of multi-family housing, especially mixed-income and affordable developments, through the use of Federal and State financing programs such as Mortgage Revenue Bonds which are administered by the Housing Opportunities Commission, the Federal Low Income Housing Tax Credit Program, and the federal HOME and Community Development Block Grant programs.
- Giving the Department of Housing and Community Affairs and the Housing Opportunities Commission the right of first refusal to purchase multi-family housing in the County and using rental agreements to preserve the affordability of multi-family housing when ownership transfers.
- Programs designed to promote energy conservation, including the Residential Energy Conservation Code, the Commercial Energy Conservation Code, the Residential Energy Conservation Property Tax Credit, and the High Performance Building Property Tax Incentive.
- Zoning incentives for mixed-use development and affordable housing in excess of the minimum requirements and redevelopment of surface parking lots.

Through this examination of the following programs, this Housing Policy will make recommendations to fine-tune the programs to respond to new conditions and priorities.

1. Moderately Priced Dwelling Unit (MPDU) Program

Program Summary and Background

During the 1970s, Montgomery County changed from a bedroom community for Washington, D.C. to one of the region's largest employment centers. The County began to face a shortage of housing affordable to low and moderate-income households. In the early 1970's, housing advocacy groups began discussing the inadequacy of the County's supply of affordable housing. These groups recommended the concept that builders should supply a percentage of all units in new residential developments at prices that would be affordable to low and moderate-income households. This led to the development in 1974 of an innovative, countywide, inclusionary-zoning and density allowance program known as the Moderately Priced Dwelling Unit (MPDU) program.

The MPDU program was the country's first mandatory, inclusionary-zoning law that specified a density bonus allowance to builders for providing affordable housing. The program markets units to renters and first-time homebuyers with moderate incomes. The first MPDUs were built in 1976.

Initially, the legislation required that 15% of the total number of dwellings in every subdivision containing 50 or more units be affordable to moderate-income households. The total density of the subdivision could be increased by 20%. A provision gave the County's public housing authority, HOC, the right to purchase one-third of the moderately priced units produced in each subdivision. The Commission rents these units to low-income tenants through a variety of programs. The County Council later broadened this provision to allow approved nonprofit housing providers to purchase some MPDUs also.

The program has been amended several times over the past three decades. The law presently requires that 12.5% of the total number of units in every subdivision or building of 20 or more units be moderately priced. The law is applicable to property zoned one-half acre or smaller and to subdivisions in many larger lot zoning categories if they are recommended in the area master plan for public sewer.

For most zones, the zoning ordinance allows a density increase of up to 22% above the normal density permitted under the zone. The ordinance also allows some attached housing in single-family zoning classifications so that optimum development of the property can be achieved and less costly housing can be constructed. The density bonus, in effect, creates “free” lots upon which the MPDUs are constructed. The builder normally obtains some additional market rate units equal to the difference between the density bonus and the MPDU requirement. Because of physical constraints of the land, the full density bonus cannot always be obtained; the MPDU requirement, therefore, falls within a range from 12.5% to 15% based on the actual bonus density achieved. In some optional method and higher density zones, MPDUs are included in the requirements for additional density and flexibility for development on the site.

Households having an income at or below approximately 65 to 70% of the area’s median income, adjusted by family size, qualify for the program. Income guidelines are based on the size of a household, and vary depending on whether the MPDU is for purchase, if it is a garden-style rental building, or it is in a high-rise rental apartment. For example, in 2011, the program required that for a family of four, the maximum household income could not exceed \$74,500 for the MPDU Purchase Program or for a rental apartment in a high-rise apartment building, or \$69,000 for a rental apartment in a garden apartment. Priority in the sale of the MPDUs is given to people who either live or work in the County.

The County imposes certain resale and occupancy restrictions on the MPDUs. For owner-occupied, for-sale MPDUs, the price for which the unit can be resold is controlled for 30 years. The MPDU must be owner-occupied and when the unit is first sold at market price after the control period expires, the County and the owner split any profit obtained through the sale, after an allowance for inflation and major capital expenditures. Rental units must comply with MPDU rent restrictions for 99 years.

Since the program’s inception through 2011, over 13,200 moderately priced dwelling units have been built. Of these units, about 70% have been for-sale units. Currently, 2,300 units are under MPDU program controls, while the controls have expired on more than 10,800 units.

Program Goals

The goals of the MPDU program are:

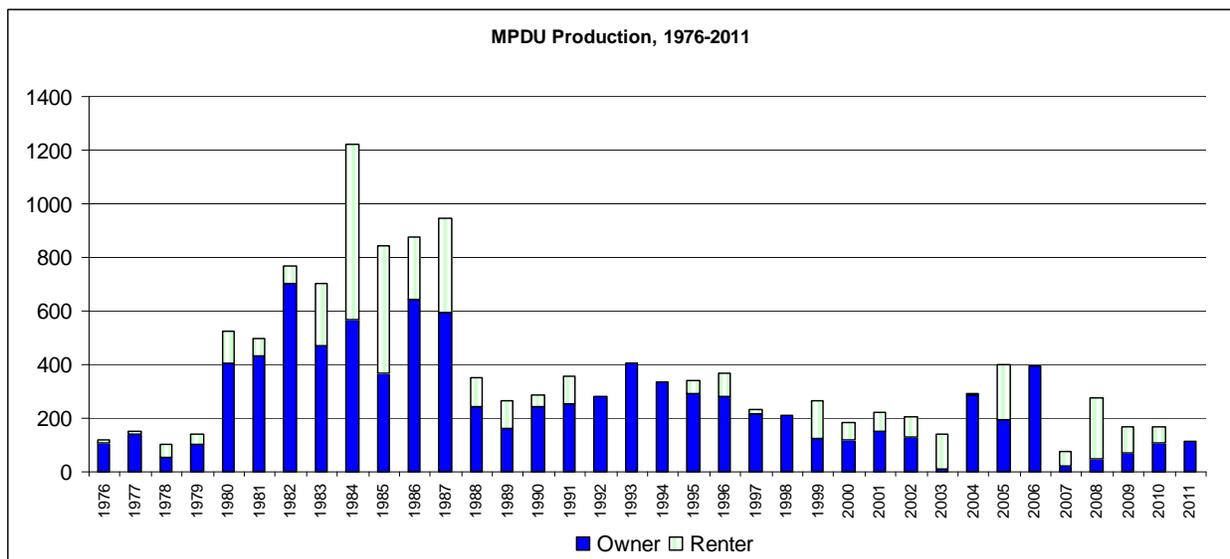
1. To produce moderately priced housing so that County residents and persons working in the County can afford to purchase or rent decent housing;
2. To help distribute low and moderate-income households throughout the County;

3. To expand and retain an inventory of low-income housing in the County by permitting HOC and recognized nonprofit housing sponsors to purchase up to 40 % of the affordable units (HOC is limited to one-third);
4. To provide funds for future affordable housing projects by sharing the appreciation when MPDUs are first sold at the market price after expiration of the resale price controls.

Program Successes and Issues

The Moderately Price Dwelling Unit (MPDU) Program has been extremely successful over the past nearly four decades in developing affordable housing for working families. An award-winning program, it has been used by more than 400 jurisdictions across the country as a model and has led to the construction of far more units than any other inclusionary housing program.

Nonetheless, the MPDU program faces many emerging challenges. MPDU production is directly linked to the rate and location of private development. An average of 375 MPDUs have been created per year, but the number each year can vary dramatically depending on private sector market conditions, from a high production of 1,224 MPDUs in 1984 to a low of 77 MPDUs in 2007. Significantly, fewer undeveloped large tracts of land are available today for the construction of subdivisions comprised of single-family homes. The rate of new MPDU production has changed since the program began and will continue to change. Fewer single-family and townhouse units are being built while more MPDUs are being built in multi-family buildings, either as rental units or condominiums. The MPDU program was designed when County land development was predominantly suburban in nature. Implementation of the MPDU program in non-suburban settings gives rise to economic and land use challenges uniquely identified with more urban or rural environments.



Source: DHCA

MPDUs Produced in Montgomery County 1976 - 2011		
Unit Type	Number	Percent of Total
For-sale	9,290	70.1%
Rental	3,956	29.9%
Total	13,246	
MPDUs percent of all units produced: 8.65%		

Source: DHCA

In 2001, the Housing Policy listed as the first MPDU issue, “Housing units, including moderately priced dwelling units, are being produced at a slower rate as the supply of developable land decreases.” The 2001 Housing Policy recommended that the County, “Evaluate the possibility of requiring moderately priced dwelling units or an in lieu fee for new subdivisions with fewer than 50 units.” This recommendation was adopted in 2004 when the County Council revised the MPDU law to require that between 12.5% and 15% of the houses in new subdivisions of 20 or more units be MPDUs.

This change in the MPDU law helped maintain the number of MPDUs being constructed each year, but did not increase the number above the number that had been produced annually in previous years. In the last 10 years, annual MPDU production has been as high as 400 units in 2005, 396 units in 2006, and 278 units in 2008. It is unlikely that the program will ever see the creation of 1,200 MPDUs in one year as occurred in 1984, or the creation of 5,300 units in five years as occurred from 1982 through 1987, just as it is unlikely that the program will routinely see the creation of as few as 77 units as occurred in 2007. The MPDU program has produced an average of 375 units per year since the program began in 1974. If the six unusually high years between 1982 and 1987 are taken out of the calculation, the average drops to 277 MPDUs built each year.

Currently, planning is underway for development around Metro stations, new transit-oriented development areas, and employment centers such as White Flint and the Great Seneca Science Corridor as mixed-use centers, providing for new housing opportunities. If the County acts quickly and makes specific proposals for these areas being reviewed and planned, developments in these transit centers can produce future housing developments that include affordable housing units, that meet the needs of the County’s current residents, and that provide housing for the future jobs that will be created in the County.

Issue: The number and types of units that are likely to be constructed under the MPDU program might not meet the needs of MPDU households.

By design, the MPDU program produces affordable housing units as a by-product of the development of new market rate housing. The construction of MPDUs is directly linked to the rate and location of development. As development patterns in the County have changed, and are likely to change even more, the types of units produced by the MPDU program change in a similar manner. A 2009 Planning Department publication, “Reducing Our Footprint” notes that:

“There is little vacant land left to develop:

- *Only four percent of the County zoned for development, about 14,000 acres, remains undeveloped. There is even less developable land when slopes, floodplains, and forest stands are included.*
- *Forty-seven percent of County land is part of the Agricultural Reserve and various parks at all government levels.*
- *The County has 8,000 acres of surface parking, with more on the top of parking garages.*
- *Considering remaining land zoned for development, surface parking, and other strategic growth areas, the County has about 28,800 acres where development should be encouraged.”*

Because the County does not have large tracts of undeveloped land available for new single-family subdivisions, future development will likely be in transit-oriented developments and will include more multi-family buildings than in the early years of the MPDU program. Multi-family buildings often feature smaller units with fewer bedrooms, so the MPDUs that would be generated would likely be more efficiency and one-bedroom units, and very few three-bedroom units. These types of units do not meet the needs of most moderate-income households.

Recommendations

- Develop guidelines and program rules that discourage the construction of too many efficiency and one-bedroom condominium MPDUs, especially those with high condominium fees. Identify incentives and program flexibility that can be added to the MPDU program to achieve the construction of more two-, three- and even four-bedroom MPDUs, especially rental MPDUs. For example, DHCA could work with a developer to determine how to provide more three bedroom MPDUs and fewer efficiency units. This would likely result in the developer providing MPDUs that better meet the needs of MPDU households, but probably producing fewer total MPDUs. Although the total square footage of all of the MPDUs in the building might remain the same, the result probably would be fewer total units because the development might include, for example, one three-bedroom MPDU instead of two efficiency units. This type of flexibility would require a change to the MPDU law.
- Provide additional incentives for projects in the Commercial/Residential (CR) zone, and other similar zones that award points for providing certain public benefits, to developments that will have more MPDUs than required, and for projects having more units with 3-or-more bedrooms.

Issue: Much potential infill development in central business districts and around transit stations in the future will be high-rise projects. High construction and operating costs make it financially difficult to include MPDUs.

As large tracts of raw land become more scarce, much of the County’s new housing stock will be provided through developments and re-developments located in higher density areas in proximity

to Metro and other public transportation. The County is in a phase of growth that will focus on redevelopment, especially in transit centers. Due to the cost of land and the zoning of such sites, much if not all of this residential development will be multi-family, either for sale or rental. High-rise construction is expensive, and under the for-sale MPDU program, the resulting MPDU sales prices, combined with condominium fees, may make the units prohibitively expensive for participants in the MPDU program. Condominium units in multi-family buildings often require occupants to pay condominium fees that may make the unit unaffordable to MPDU-eligible households. Many new high-rise buildings that are currently rental are organized in such a way as to be easily converted to condominiums sometime in the future. The rental MPDUs in these buildings would then convert to for-sale MPDUs.

Recommendations

- Explore financial and other incentives for high-rise rental developments to make the construction of MPDUs more feasible, especially for projects providing more than the minimum amount of MPDUs and for those providing units with more bedrooms.
- In limited instances, continue to allow developers to provide MPDUs at another site within the same planning policy area, if providing the units at the original location is not financially feasible, would create MPDUs with unrealistically high condominium fees, or a greater number of MPDUs can be created. In major redevelopment and development areas, DHCA and County staff could identify a “receiver” building that could be developed as mixed-income housing. For example, this building could have 60% market-rate rental units and 40% rental MPDUs. A developer of a nearby condominium project that has very large monthly condominium fees could meet some or all of its MPDU requirement by locating its MPDUs in this “receiver” building instead. This alternative location flexibility should be allowed only when developers are providing more than the minimum number of MPDUs.
- Analyze and determine whether allowing a mix of condominium and rental units will make it easier and more feasible to provide MPDUs in high-rise projects. Establish guidelines to allow MPDUs as rental units under a separate condominium regime in high-rise, for-sale buildings. Explore the rules under federal financing programs to ensure that this does not present any obstacles to securing mortgage financing.
- Evaluate options to provide rental units for special populations, such as seniors, in transit-oriented development centers.

Issue: Ensuring MPDUs are well integrated into developments and are designed to meet program participants’ needs.

In order to facilitate affordability, current program guidelines permit for-sale MPDUs in single-family subdivisions to be smaller and of a different unit type than market-rate units in the same development. As large tracts of land available for traditional single-family developments become more scarce, developers have financial incentives to build smaller MPDUs located in more compact structure types, such as condominium buildings, two-over-two units, or very narrow townhouses. The MPDUs are therefore sometimes easily identifiable within a development because they are physically separated from the market rate units, or are different from the rest of the community due to the size and exterior appearance. Units located in relatively remote areas of a subdivision that are distant from transit, shopping, and public

services may be less attractive to MPDU households, and to HOC and other nonprofit organizations that rent units to lower income households with limited transportation options. In addition, certain unit types and designs are undesirable to MPDU homebuyers. Efficiency and one-bedroom MPDUs often do not meet the needs of MPDU certificate holders. Piggyback and similar types of townhouses with limited ground level access and storage space may be less attractive to families with children. In addition, these unit designs often are perceived as less visually attractive, noisier, and potentially costlier to maintain.

Recommendations

- Update the Planning Department’s 1995 “Site Plan Guidelines for Projects Containing MPDUs” to make sure that the guidelines reflect current planning practices and development standards, and unit desirability. Continue to prohibit back-to-back townhouses and determine the feasibility of prohibiting the construction of piggyback and two-over-two style MPDUs, unless the subdivision also includes similar market-rate units. Continue to mandate that MPDUs be dispersed throughout the community.
- Ensure that MPDUs in single-family and townhouse communities are not divided into small associations that are separate from the overall community master homeowner’s association (HOA). HOAs have responsibilities for a range of structural elements and infrastructure such as roads and stormwater management facilities, as well as for operational elements such as snow and leaf removal and care of landscaping in common areas. Small MPDU-only condominium associations often are not financially viable, highlight the differences in the community, prevent a sense of togetherness within the community, and create obstacles for attaining appropriate levels of management and enforcement of HOA covenants.
- Evaluate existing and proposed zoning regulations to make sure that the overall goal of the MPDU program to disperse affordable housing is maintained. Avoid an over-concentration of too many MPDUs in one building or one section of a community. Subdivisions that contain a mix of housing types need to have affordable units that are well-designed and placed in locations that bring about enhanced community cohesiveness.

Issue: In some instances, developers are unable to take advantage of extra or maximum bonus density provisions in the Zoning Ordinance, including that of the MPDU Program, because of other zoning, environmental, or master plan requirements. This makes the inclusion of moderately priced dwelling units financially difficult.

Recommendations

- When preparing master plans and zoning changes, understand the impact of height and density restrictions on the financial feasibility of the construction of MPDUs, especially in high-rise construction. Take into consideration the impact and provide increased height, increased density, or other considerations for projects including MPDUs and other affordable housing options.
- While undertaking the Zoning Ordinance Revision, evaluate how well current provisions of the MPDU law apply in more urban and rural areas. New challenges have emerged in implementing the MPDU program in urban areas, CBDs, transit centers, and large lot zones

in rural areas, largely in the areas of lot size, setback, amenity requirements, and green space requirements for MPDU developments in most suburban zones.

- Continue and expand the use of zoning tools such as the CR zone that encourage the production of affordable housing by providing incentives for MPDUs in excess of the minimum requirement.

Issue: Applicability of MPDU Program to Types of Developments That Have Special Conditions

The County Code and the County Zoning Ordinance require that certain types of developments, such as life-care facilities and for-sale age-restricted projects, include MPDUs. Units produced in these types of developments have limited marketability to MPDU eligible households. In many life-care facilities, the living space is not owned under a fee simple title or condominium regime; rather it is provided as one element of a package of services sold to residents. As they age, residents move from a more independent living residence to a more care-intensive residence within the same facility, all the while receiving the necessary level of services. Often, the cost of the overall service package makes the development prohibitively expensive for MPDU buyers or renters, and separating out and quantifying the residential component is difficult. Even if the residential component of the service package can be quantified and made available to an MPDU household, the cost of the remaining service package may be too expensive for the MPDU resident. The first-time homebuyer requirement and the 30-year control period make for-sale MPDUs undesirable to age-eligible households in age-restricted developments.

Recommendation

- Research viable alternatives for producing MPDUs on site under these limited circumstances.

Issue: Working families and moderate-income households need to be made aware of the MPDU program and the benefits it offers. As the economy changes and real estate conditions change, the MPDU program needs to continue to meet the needs of MPDU households. Prospective MPDU households often require assistance and education about the home-buying process.

Some MPDU applicants have encountered problems qualifying for a mortgage because they were unfamiliar with the process of obtaining a loan, they did not understand their credit score or how to improve it, and because of difficulties caused by the current financial crisis. Changes to the program in the past decade have increased confusion and doubts to some applicants.

Recommendations

- Assess innovative approaches to solving the problem of high condominium fees, for example, allowing developer-created trust funds to provide ongoing condominium fee subsidies within a property, and researching methods to assess lower condominium fees on MPDUs than on market-rate units. In high-density, master-planned transit-oriented development areas, DHCA might consider working with developers to allow several developers to provide all of their required MPDUs in a separate, less expensive to build,

rental building so long as the developers agree to provide more than the minimum amount of MPDUS in exchange for the flexibility on where the MPDUs will be located.

- Develop a marketing and publicity strategy to educate eligible households, employers, and current renters about the MPDU program. Develop programs to make income-eligible households seeking first-time homeownership opportunities aware of the program.
- Continue HOC's Single Family Mortgage program that offers affordable mortgages and downpayment loans to qualified homeowners, many of whom are MPDU purchasers.
- Continue to offer homebuyer classes for moderate-income and prospective MPDU households, including information on credit, the variety of mortgage products, and how to avoid predatory lending.
- Make prospective MPDU purchasers and applicants aware of organizations that provide Fair Housing and homeownership assistance.

Issue: The MPDU program is only one element of the County's strategy to address the affordable housing shortage.

The MPDU program generates on average between 200 and 300 housing units each year for moderate-income households (currently up to \$52,000 per year for an individual, and \$74,500 for a family of four). A great need exists for housing for households with significantly lower income levels, and a great need exists to create more affordable units to meet the housing needs of workers who will fill jobs created in the County.

The term "affordable housing" encompasses a much broader spectrum of homes and housing types, and a much broader range of household income levels. This policy recognizes that the County has a more severe shortage of affordable homes today than in 1974 when the MPDU program began, and the need is for a more diverse range of homes.

Recommendations

The County must continue to explore, create, and implement additional programs to achieve affordability in housing for the very low income, the middle income, and those households in between. The County cannot meet its affordable housing needs through the MPDU program. The County recognized many years ago that the MPDU program addresses only one segment of the housing affordability problem. The County developed numerous other programs to address this issue comprehensively.

2. Housing Initiative Fund

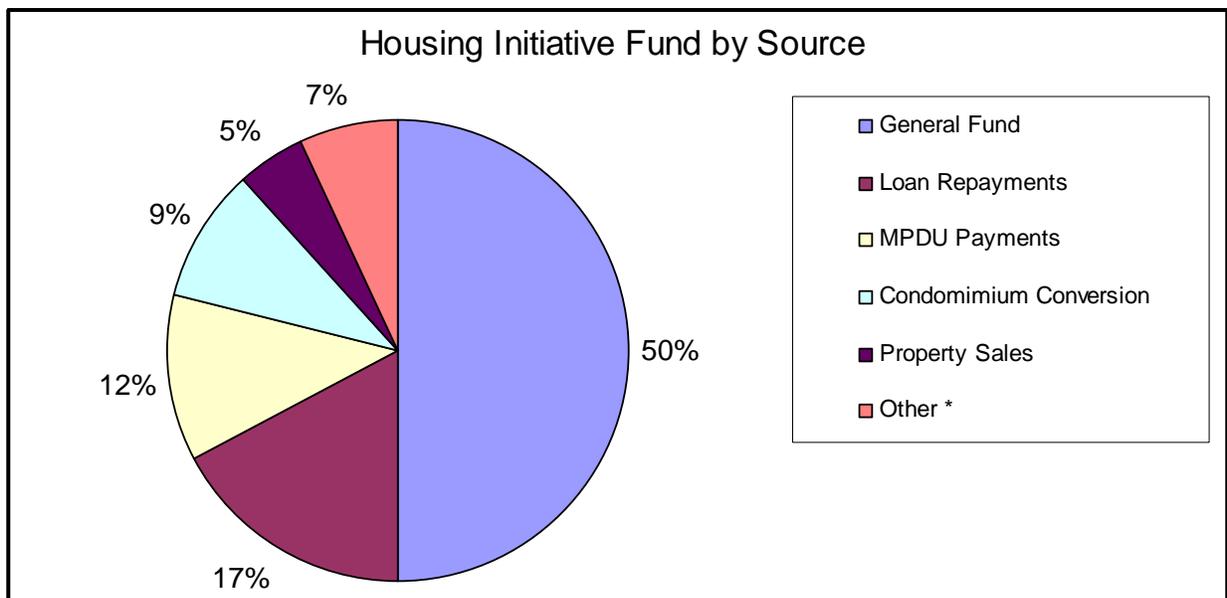
The County Council established the Housing Initiative Fund in 1988 with the purpose of creating and preserving affordable housing throughout Montgomery County. Loans are made to HOC, nonprofit organizations, experienced rental property owners, and for-profit developers to:

- Build new housing units
- Renovate deteriorated multi-family housing developments

- Preserve existing affordable housing
- Provide special needs rental housing.

Between July 1989 and June 2012, more than 15,000 housing units were preserved or created in the County under this program. Emphasis is placed on leveraging County funds with other public and private funds. As a result, the effectiveness of the program relies on having community partners who are able and willing to take on development or rehabilitation projects, and on leveraging funding from other sources with County funds.

The HIF is one of the oldest local housing trust funds in the nation. Housing trust funds help solve three major problems. First, they provide a dependable source of revenue for the production, preservation, or rehabilitation of rental and owned homes, as well as related support services and infrastructure needs. Second, they come without federal restrictions and can be tailored to meet particular local needs effectively, some of which may be ineligible for funding through other programs or in need of additional resources. Third, they can be used to leverage other funds to help close the gap between the cost of production and available funds to support affordable housing.

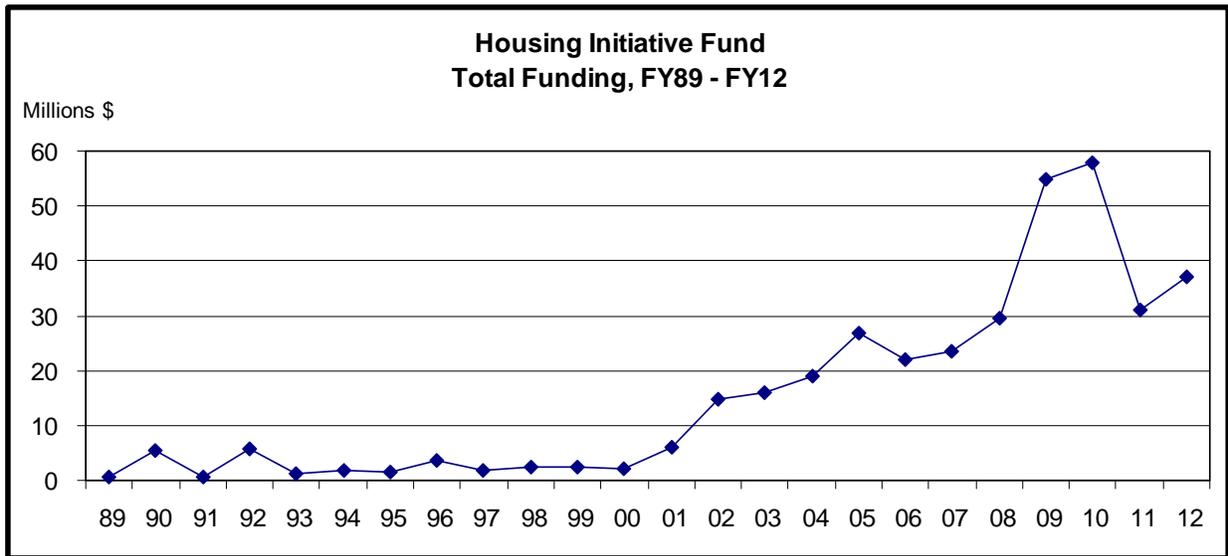


**Other: Includes Recordation Taxes, Investment Income, Development Approval Payment, and miscellaneous revenue
Source: DHCA*

Funds flow into the HIF from numerous sources, including:

- A portion of some specified development approval fees, such as the Development Approval Payment
- MPDU profit sharing
- County land sales
- The repayment of existing loans and interest charged on these loans
- Condominium Conversion Tax Payments
- Transfers from the Montgomery County General Fund
- Proceeds from bonds sold to provide short term loans

In FY2012, much of the funding in the program came from repayments on previous Housing Initiative Fund loans and from the County general fund.



Source: DHCA

Issue: To ensure that our affordable housing goals are met, there must be a stable and predictable funding source to guarantee that affordable housing goals are met.

The HIF receives funds from many different sources. Since many are tied to taxes and fees from real estate and other activity, the HIF revenue can vary greatly from year to year, making it difficult to provide consistent funding levels. Moreover, in difficult economic times, HIF funding has been reduced in order to provide funds for other governmental functions. Since 2008, funds have been made available to the HIF through the sale of County bonds that generated more than \$80 million for the program. When possible, loans made from this funding are structured to be paid back within several years so that the funds can be revolved back in to the HIF and used again.

Recommendations

- Investigate the use of an affordable housing impact fee or similar alternative on all new non-residential development to provide funds for the creation of new housing for workers who will fill jobs in the County.
- Research procedures to allow and to encourage contributions and donations to the HIF. Research programs such as the one used in North Dakota that uses contributions from individual, businesses, financial institutions as the primary funding source for the North Dakota Housing Incentive Fund. Contributors receive a dollar-for-dollar state income tax credit in exchange for their financial donation. As of May 2012, the fund had received \$6.5 million in contributions ranging from \$100 to \$2.5 million. The North Dakota program features guidelines such as that tax credits earned through contributions to the North Dakota Housing Incentive Fund are limited to a total of \$15 million, are not transferable, and are on a first-come, first-served basis.

3. Workforce housing programs

2006 Workforce Housing Program

In 2006, the Montgomery County Council adopted a zoning text amendment that established a new affordable housing program directed towards families with incomes near the area median. Called the Workforce Housing Program, this ZTA applied only in higher density areas near Metro stations. The Workforce Housing Program required that any subdivision or multi-family building of 35 or more units, in a zone that allows 40 or more units per area, and within a Metro Station Policy Area, would be required to provide workforce housing units equal to no less than 10% of the market rate units. In this program, workforce housing was defined as housing available to families earning below 120% of AMI. The program applied to any projects approved after December 1, 2006.

In April 2011, the County Council amended the Workforce Housing Program. The amendments changed the workforce housing requirement in Metro station policy areas from mandatory to voluntary. Since the inception of the workforce housing program, only three projects had been approved with workforce housing units. Two of the projects were County-sponsored, and the other one was an unbuilt private project. According to the development community, providing workforce housing was cost prohibitive. Because the required Workforce Housing Program was viewed as an impediment to the development of new multi-family housing, the County Council voted to make the program voluntary.

Issue: Montgomery County's housing stock is not keeping up with the needs of the workforce.

Recommendations

- Preserve existing privately-owned rental properties with rents affordable to middle-income households, especially properties located in employment growth centers and transit-oriented areas. Assess properties that become available through the County's Right of First Refusal to see if actions should be taken to preserve rents affordable to middle-income households by assisting the purchase of the properties by HOC and nonprofit housing providers that will preserve the affordable rents at these properties.
- Research the County's existing single-family housing stock, especially in neighborhoods with stagnant prices or a large number of foreclosed homes, and identify programs or initiatives that can be developed to market and sell these homes to middle-income households and to households with incomes just above the MPDU program.
- Analyze the need for voluntary Workforce Housing programs in high-density areas near Metro stations, with a focus on rental housing. Continue the County policy that residents of all incomes have the opportunity to live near Metro stations.

4. State and federally-funded housing renovation and special needs housing programs

Federal agencies have provided essential funds to Montgomery County programs for the construction, acquisition, and renovation of housing for special needs populations, and the weatherization and renovation of single-family homes owned by lower income households. Most of these funds have come from the U. S. Department of Housing and Urban Development

through programs such as the Community Development Block Grant (CDBG) program, federal HOME Investment Partnership Program, the HUD 202 Supportive Housing for the Elderly Program, and the HUD 811 Supportive Housing for Persons with Disabilities Program. In addition, Weatherization Program funds are provided by the U. S. Department of Energy and the State of Maryland.

Group homes that receive funds from Montgomery County serve those with physical and developmental disabilities, persons with persistent mental illness, and the elderly. Assistance is not provided to group homes owned by for-profit developers.

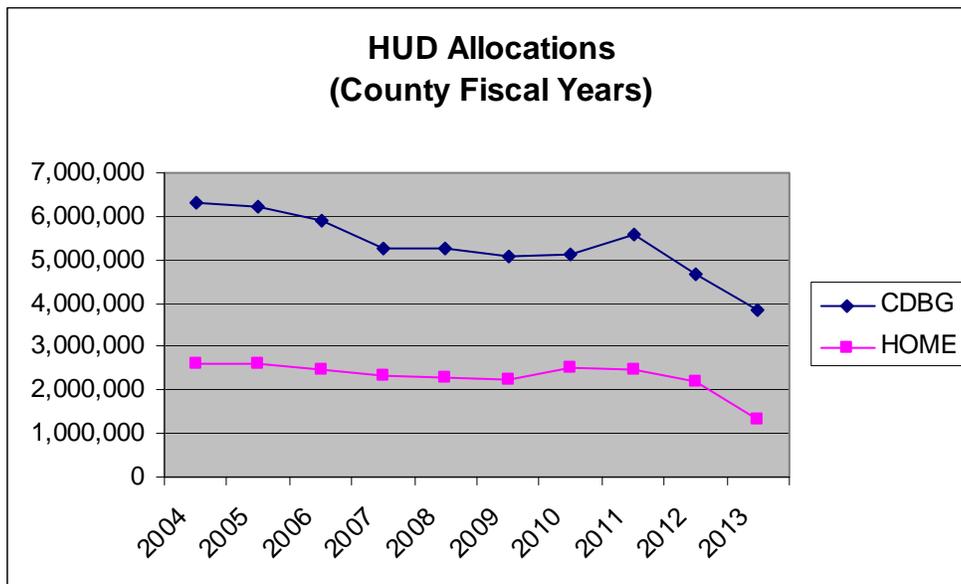
The County assists nonprofit group home providers to construct new housing, to acquire single-family homes to be used as group homes, and to repair and renovate existing group homes to assure that they are in good repair, comply with County and State licensing requirements, and continue to be assets to the community. Over the past ten years, the County has provided loans to nonprofit organizations to acquire more than thirty group homes. In addition, the County provides loans and grants for the rehabilitation of approximately twenty group homes each year.

Federal CDBG funds have been used in Montgomery County for more than twenty years to make loans to lower income homeowners to pay for repairs that correct housing code violations, to make homes more accessible, and, along with funds from the federal Weatherization Program and from the state of Maryland, to make repairs that make homes more energy efficient. Between 2008 and 2012, Montgomery County's Weatherization Program provided more than 1,900 grants of less than \$5,000 each low-income homeowners and to the Housing Opportunities Commission to make energy efficiency improvements and repairs. The Single-Family Rehabilitation Loan program averages repairs to ten homes each year.

Home Energy Programs: This state-funded program is administered by DHHS and provides financial assistance to help low-income County residents pay their electric and home heating bills. In FY2011, the DHHS Home Energy Program provided \$9,157,213 to 9,483 households. Funding was severely reduced in FY12. The program serves low-income, vulnerable households. To be eligible households must have income at or below 175% of the poverty line, which was \$18,953 for single person household and \$32,042 for a three-person household in FY2011. Twenty-six percent of households have a member over 60 years of age while another twenty-three percent have at least one member under the age of five.

Issue: Federal funds to Montgomery County have been reduced and are expected to continue to decrease.

Federal budget problems have led to reduced funding for many domestic programs, including the CDBG and Weatherization programs, and near elimination of funding for the HUD 202 and 811 programs. CDBG funds to Montgomery County were reduced by 18% in FY2012, and funds from the federal HOME Investment Partnership Program went down by 40%. Montgomery County needs to maintain the number of group homes providing essential services to Montgomery County residents with disabilities who, with the proper supportive services and assistance, can receive safe and secure housing in their own community, and add more group homes as possible. The state of Maryland has been working for more than a decade to close all state mental health hospitals and instead to serve the chronically mentally ill in community-based settings.



Source: DHCA

Recommendations

- Focus resources on the renovation and improvement of existing group homes to make sure they are well-maintained and able to serve target populations.
- Through the Zoning Ordinance Revision, continue to allow group homes in all areas and evaluate approval procedures to remove any unnecessary restrictions. Since many group homes are licensed by the state of Maryland and assisted by the County, consider administrative approvals wherever possible.
- Continue to allow experienced nonprofit housing providers to purchase MPDUs to be used as group homes.
- Continue HOC's program to set aside some Housing Choice vouchers to be used by nonprofit group home providers to make group homes more financially viable.
- Consider developing new special needs group homes when County-owned sites are evaluated for use for affordable housing.
- Continue to coordinate between those providing the housing and agencies providing support services.

5. Housing First and homelessness programs

Montgomery County provides important housing and services to homeless individuals and families, persons with mental health and substance abuse issues, individuals with developmental disabilities, and seniors. Working with public and private agencies, the Montgomery County Department of Health and Human Services (HHS) operates a variety of programs to:

- Prevent homelessness.

- Provide stable housing for formerly homeless and other vulnerable households.
- Prevent housing emergencies for the County's residents.
- Link housing with essential supportive services for special needs populations.

County programs to prevent and alleviate homelessness have always been essential. The continued downturn in the economy over the past few years has continued to make this assistance a critical tool in preventing homelessness.

Created in 2008, the ***Housing First Initiative*** provides permanent housing and supportive services to help previously homeless individuals and families move to permanent housing, rather than having them stay in an endless series of temporary or transitional situations. The Housing First model helps chronically homeless and hard to serve individuals and families find permanent, stable housing as quickly as possible. Participants must sign a standard lease agreement and are provided with services and assistance that help them remain successfully housed. This program has shown to be more cost-effective than short term housing solutions such as the use of temporary shelters and motels. The program's funds are used to provide rental subsidies, fund case management provided by County staff or non-profit shelter providers, and pay costs associated with families moving from shelters to more permanent housing, including:

- **The Housing Initiative Rental Subsidy Program:** The Housing Initiative Program, which is funded by the Housing Initiative Fund, provides rental subsidies for special needs households with income below 30% of AMI and provides for service coordination to promote housing stability. Ninety-eight percent of the households receiving this assistance are able to stay in their homes successfully long term. The program funding in FY2012 had the capacity to serve 220 households.
- **Eviction Prevention and Emergency Housing Assistance:** In FY2011, the County's Emergency Housing Assistance program provided 5,837 grants totaling \$3,733,104 to help households experiencing a housing emergency with rent assistance, utility assistance, and moving expenses, in order to resolve crises. Of these, 49% were for housing related costs, 46% were for utilities and 5% were for other emergency costs. Expenditures consisted of \$2,569,762 in County funded assistance and \$1,163,342 in State funded assistance.
- **Supportive Services:** In addition to financial assistance, the County provides supportive services to help stabilize households through assistance with budgeting and linkages to community resources including physical health, behavioral health, employment and income supports programs. Funding is provided by the State of Maryland through the Department of Human Resource's Emergency Assistance to Families with Children Program as well as the Homelessness Prevention Program, and County funding includes DHHS emergency services grants funded by the County's General Fund.

Issue: Unmet Needs of Homeless Persons

In January 2012, according to the annual Homeless Point-in-Time Count, 979 people indicated that they were homeless. Of this total, 598 were single persons, and 372 were in families. The

number of people indicating that they are homeless decreased slightly in 2012, after changing very little from year to year since 2007:

Montgomery County

January 2012

**People Living Unsheltered, In Winter Beds, In Emergency Shelter
or In Transitional Housing**

<u>Year</u>	<u>Single Persons</u>	<u>Persons in Families</u>	<u>All Persons</u>
2012	598	381	979
2011	761	374	1,132
2010	692	372	1,064
2009	668	526	1,194
2008	694	410	1,104
2007	640	499	1,139

The census indicates that the County needs nearly 1,000 units of permanent supportive housing. The Continuum of Care, a public-private planning group for homeless and homeless prevention activities, established permanent supportive housing as a priority.

Recommendations

- Increase the number of permanent supportive housing units to meet the unmet needs in the County. Develop specific goals and projects to meet the need for nearly 1,000 units of permanent supportive housing. Continue to focus on reducing the time families and individuals spend in temporary shelters and to decrease the use of motels as overflow emergency shelter for families.
- Explore obtaining state funding for more affordable assisted-living options for individuals with developmental and intellectual disabilities, and individuals experiencing homelessness who have a disability. Existing private facilities are very expensive and are not equipped to address needs of people with multiple behavioral health disorders.
- Develop a Recuperative Care Facility and other therapeutic recovery programs providing step-down care for homeless persons and persons with chronic behavioral health conditions, especially those who do not qualify for skilled nursing facility care upon hospital discharge or who have no home or trained caregiver during their post-hospital discharge recuperation. Research demonstrates that a Recuperative Care Facility reduces hospital inpatient length of stay and readmissions and prevents patients from being discharged with medical needs that result in readmission to the hospital.
- Increase the supply of permanent rental housing options for low-income households exiting homelessness, and assess the feasibility of creating more single-room occupancy (SRO) units properties. Also, construct housing with three or more bedrooms for larger families.

- Develop housing options in planned development projects or master planned development areas for target groups such as youth aging out of foster care, domestic violence victims, and those with mental illness and developmental disabilities.
- Continue to study the census and other population projections to assess special needs populations and develop long-term strategies based on the changing demographics of the County

Issue: Housing First prevents homelessness and shortens the time households spend homeless.

Recommendations

- Continue implementation of Housing First Initiative to reduce homelessness.
- Increase permanent supportive housing for individuals and families exiting homelessness. Assess the feasibility of setting aside more Housing Choice Vouchers for households in the Housing First Program.
- Explore accessing Medicaid dollars for supportive services and for the development of a model that allows for varied intensity of supportive services based on individual need.

6. County-funded rental assistance programs

Montgomery County has used general fund resources since 1985 to fund rental assistance programs for needy households.

County Rental Assistance Program (RAP): In 1985, Montgomery County created the Rental Assistance Program targeted to the elderly and disabled, low-income (underemployed) intact families, and low-income (underemployed) single parent headed families. Since its inception, the program has provided eligible households with a monthly rental subsidy to help defray the high cost of rent and enable low-income seniors, disabled individuals, and families to have a suitable rental unit. The County RAP program provides monthly subsidies ranging from \$50 to \$200 to households with income below 50% of AMI who are paying a larger than normal percentage of their income for rent. The average subsidy in FY2011 was \$195 per month. The program served an average of 1,425 households per month in FY2011 and demand continues to outstrip available resources.

Due to funding restrictions and continued demand, the RAP program closed enrollment to new households at the start of FY2011, but was able to begin enrolling new households again in March 2011. The subsidy available to a household has not been adjusted since 2002 and its value has eroded over time due both to inflation and the steep increase in area rents. A household would need \$248 dollars in 2012 to match buying power of \$200 subsidy in 2002. At the same time, the HUD Fair Market rent for a two-bedroom apartment was \$943 in 2002 compared to \$1,513 in 2011.

Rent Supplement Homelessness Prevention Program: In 2007, the County Council established the Rent Supplement Homelessness Prevention Program, using proceeds generated by the Recordation Tax, to provide shallow rent subsidies to assist county residents renting in multi-

family properties to avoid being displaced or becoming homeless. The Rent Supplement Homelessness Preservation Program is administered by HOC and the goals are to:

- Prevent homelessness of very economically vulnerable individuals and families;
- Stabilize families in affordable housing; and
- Increase the number of affordable housing units in the County.

The target population is individuals and families between 30 % and 40 % of AMI who pay more than 40 % of their income for rent. This group, while making slightly more than participants in the deep rental assistance programs like Housing Choice Vouchers and Public Housing, can face difficulties paying rent. The program is structured on the theory that a relatively small rental supplement would fill the gap. As planned, maximum monthly subsidies do not exceed \$600, and the average monthly subsidy of \$250 to \$350 per month per household is sufficient in most cases to prevent the recipient from falling behind in rent and facing eviction.

Spending for the Rent Supplement Homelessness Prevention Program started at \$1.3 million in FY 2010, and was reduced to \$1 million in FY2011. In 2010, 350 households were served by this program. Because of lower funding levels, the number of households served was reduced to 250. The goal of the program has been to provide stable housing for at risk households. This has been achieved as seen by the fact that none of the households in the program moved during FY2011.

Handicapped Rental Assistance Program: The Handicapped Rental Assistance Program provides monthly financial assistance to individuals with a mental illness that constitutes a handicapping condition residing in a group home licensed by either the State of Maryland or Montgomery County. The program serves an average of 215 individuals each month with an average monthly subsidy of \$150.

Issue: Many households, both singles and families, are struggling to maintain housing and avoid eviction. These families need rental subsidies to make it through the crisis.

Recommendations

- Increase the number of rental subsidies for low-income households. The long waiting lists demonstrate the unmet need. Identify programs that could provide increased rental subsidies through HOC where funds are available.
- Study the County's rental assistance programs for special populations and, as County funds become available, expand these programs and increase the amount of subsidy to be consistent with current rental market rates.
- Continue to provide funds for the repair of homes to reduce utility costs, which continues to be a struggle for low-income households. Explore ways to encourage landlords, especially those with older housing stock, to undertake energy efficiency upgrades to properties. Educate households on energy conservation.

- The Recordation Tax Rent Supplement Program Serving Homeless Families has proven to be an extremely successful homelessness prevention program. This policy recommends the continuation of the program, and its expansion when funds are available. It operates on the principle that preventing individuals and families from ever becoming homeless is far more humane and fiscally effective than the steps needed to rehouse the homeless.

7. Housing Code Enforcement and focused neighborhood assistance programs

To ensure healthy housing and neighborhoods, Montgomery County adopted a Housing Maintenance Code in 1964. Most of the inspections made under the authority of the Code are mandated by other statutes such as those requiring the licensing of multi-family rental units or accessory apartments, or in response to a complaint from a tenant, neighbor, or other interested community member. The County Housing Code Enforcement Section follows up on complaints, and monitors areas of concern to prevent widespread deterioration in older neighborhoods and to maintain a more stable housing stock that meets health and safety standards and is less likely to become run-down or deteriorated. Low rental vacancy rates could lead to an environment in which tenants would be willing to accept unsafe or unsanitary living conditions.

Focused Neighborhood Assistance is a program started in 2009 to address comprehensively community needs identified by residents and other stakeholders in geographically-defined neighborhoods experiencing challenges. These areas are selected approximately every two years after an analysis of residential neighborhoods countywide. This analysis includes review of data on crime, income, single-family rentals, and foreclosure events. County staff further refine neighborhood selection by identifying factors that connect communities, such as school boundaries, as well as those that separate neighborhoods, such as natural features and major roadways. Staff also identified those areas that appear to meet eligibility criteria for certain types of federal or state funding; for example, federal funds to assist in addressing the negative impact of foreclosures. A unique program is then developed for each selected neighborhood.

Some of the projects completed in the first two years include:

- Repairs to the exteriors of seventy single-family homes occupied by income-eligible owners.
- Upgrading and installing energy-efficient lighting in public spaces.
- Acquisition of thirteen vacant, foreclosed, bank-owned homes that were renovated and sold to first-time homebuyers.
- Improvement of five pedestrian pathways, including installation of lighting.
- ADA improvements to a community pool and the installation of lockers and security fencing.

Issue: The County's housing stock is aging.

Recommendations

- Continue a vigorous Housing Code Enforcement program to maintain in good condition the County's aging but vital rental housing stock.

- Continue having Code Enforcement staff perform annual reviews of vacant and condemned units. Continue to refer vacant and condemned properties to the Rehabilitation Loan and the Replacement Home Programs, especially for those occupants who are elderly or who cannot financially and physically maintain their home.
- A potential looming large problem is the number of housing units located in common-ownership communities, many built more than twenty years ago. The associations that control these communities maintain sidewalks, roadways, parking lots, playgrounds, recreation facilities, buildings, roofs, and nearly every other possible facility in their communities. Studies should be conducted to determine if the infrastructure in these communities are being maintained, if the communities have adequate financial reserves to maintain their properties.

Issue: Poorly maintained, deteriorated and abandoned properties affect neighborhood stability.

Recommendation

- Continue to identify neighborhoods that are at-risk of deterioration, disinvestment, or disrepair. Bring in other departments, agencies, and nonprofits as needed and involve the community to bring together county resources to respond to the particular needs of the neighborhood.
- Continue to monitor foreclosed properties to make sure the buildings and yards are maintained.

Issue: In some areas, especially those near mass transit, neighbors and community associations are concerned about homes illegally being converted into businesses and the illegal and improper creation of multiple dwelling units on one residential lot.

In some down-county neighborhoods near Metro stations or on major roadways, neighbors and community associations have complained that speculators and absentee owners are illegally converting single-family homes into boarding houses, short-term rentals, and creating several illegal dwelling units on one lot. Often, the complaints focus on the creation of illegal accessory apartments or other secondary units on a lot approved for only one house.

Residents can submit complaints by contacting the MC311 Call Center if they believe that a property is not complying with Zoning Code requirements. A complaint can be filed with the MC311 Call Center to report or request an investigation of suspected zoning violations and illegal construction activities, such as building on a site without required permits, including specialized construction-related work such as plumbing and electrical work. Complaints are assigned to zoning or building investigators and inspectors who, if they find violations, instruct the violators to take corrective action. If a violation is not corrected within a reasonable time, the investigator or inspector will initiate legal proceedings on behalf of the County, such as issuing civil citations or tickets. DHCA and DPS keep the names of complainants confidential. The zoning official investigating the complaint can inform the complainant of important developments in the case and its outcome, when requested.

The County's MC311 Call Center also has procedures in place for residents to submit complaints if they believe that residents or guests at a property are violating the County's Noise Control Ordinance, which is in Chapter 31B of the County Code.

Recommendations

- Continue to share information between the DHCA Housing Code Enforcement Section and the Department of Permitting Services Zoning Section on investigations into illegal construction and construction of homes with multiple kitchens units.
- Continue to refine informational materials to distribute to community groups and residents, and to add to the existing information on the County website, about how to file zoning complaints, and about the County's Noise Control Ordinance.

8. Accessory Apartments

Accessory Apartments are additional residential units on single-family lots that are independent of, and subordinate to, the primary, existing single-family home. These separate units have their own kitchens, bathroom facilities, and sleeping areas. A related type of unit is a Registered Living Unit. Registered Living units are similar to accessory apartments, except that the units are occupied rent-free by either a relative or a household employee of the owner occupant.

At the time this Housing Policy is being prepared, the Montgomery County Council is considering a Zoning Text Amendment to revise the procedures for the approval of an Accessory Apartment. Currently, before offering an Accessory Apartment for rent, an owner must first obtain a Special Exception from the Montgomery County Board of Appeals, and an Accessory Apartment Rental Facility License from Montgomery County Department of Housing and Community Affairs. An owner who operates a rental facility without first obtaining a license is subject to a five-hundred dollar civil citation.

To be eligible for an Accessory Apartment, the existing single-family dwelling must:

- Be a single-family detached home (townhouses and mobile homes are not eligible).
- Be owner occupied.
- Be at least five years old.
- Be located in a zone that permits the approval of Accessory Apartments. (At the time of this Housing Policy Update, those zones were the Rural, Rural Cluster, LDRC, RDT, RMH-200, RE-2, RE-2C, RE-1, R-200, R-150, R-90, or R-60 zone or in a one-family residential area of a Rural Service, Planned Development or Town Sector zone.)
- Have at least a 6000 square foot lot in an R-60 Zone or the minimum lot size in all other one-family residential zones.
- Have at least two off-street parking spaces (driveway, not front yard) or proof of adequate on-street parking.

- Have adequate water and sewer systems for both units.
- Have any separate entrance located so that the appearance of a one-family home is preserved.
- Be compatible with adjacent homes, if modifications are proposed.
- Comply with all applicable laws.

In addition to the rules that apply to the single-family house, the zoning ordinance and the County Code stipulate requirements for the Accessory Apartment. The Accessory Apartment must:

- Be subordinate to the main house.
- Be internal to the existing home, which means it cannot be a separate building, unless the lot is larger than one acre.
- Have the same address as the main house.
- Be the only additional living unit or use on a lot or parcel.
- Not result in an excessive concentration of such units in the neighborhood.

The Owners Must:

- Have owned the property for one year, except when the accessory apartment existed prior to purchase of the home.
- Occupy one of the two units.
- Apply for and be granted a Special Exception through Montgomery County Board of Appeals.
- Obtain necessary building or electrical permits from the Department of Permitting Services if the Accessory Apartment application is approved.
- Contact the Department of Housing and Community Affairs, Code Enforcement Unit, after construction is complete and the Department of Permitting Services has assured compliance with Building Standards, to schedule an inspection for compliance with Housing Standards.
- Submit an Accessory Apartment Rental Facility License Application to the Department of Housing and Community Affairs, Licensing/Registration Unit, once compliance with the Housing Standards is achieved.

Issue: Some neighbors and civic associations are concerned that too many illegal Accessory Apartments exist in the County and are worried that too many Accessory Apartment in an area can change the character of a neighborhood.

At the time of the writing of this Housing Policy Update, there were 431 approved, active Accessory Apartments, and 698 Registered Living Units, in Montgomery County. (These rules for Accessory Apartments and Registered Living Units do not apply to properties within the incorporated municipalities of Barnesville, Brookeville, Gaithersburg, Laytonsville, Poolesville, Rockville and Washington Grove.) Some illegal units may exist throughout the County. Units are considered illegal if they:

- Have not been approved by the Board of Appeals.
- Do not have an approved rental license.
- Have not been inspected to assure compliance with County Housing Code standards.
- Do not meet the standards of the zoning ordinance, such as those Accessory Apartments that
 - do not have proper and safe ways to enter or exit the unit
 - are not subordinate to the existing single-family home
 - the owner of the single-family house does not live on the property.

These issues and concerns are often similar to those expressed about the development of illegal additional units on residential lots, so the recommendations are similar.

Recommendations

- Currently, most County code enforcement inspections of alleged illegal Accessory Apartments are the result of complaints submitted to the County. Consider stepped up investigation of properties with multiple kitchens and allegations of work conducted without required permits.
- Develop informational materials to distribute to community groups and residents, and to add to existing information on the County website, about how to file complaints about illegal Accessory Apartments.
- Accessory Apartments exist in many communities across the nation. Studies and reports have looked at accessory apartments in communities. None has indicated a correlation between the number of Accessory Apartments in an area and neighborhood decline. The Planning Department could conduct a study of neighborhoods in Montgomery County with Accessory Apartments to determine if they have affected the quality of life, neighborhood stability, or housing values.

Issue: Many people have a difficult time understanding what an Accessory Apartment is and what types of additional units are allowed on a single-family lot. The Zoning Ordinance has several confusing definitions and uses for additional units in single-family zones. These categories are often confusing and can be difficult to enforce

The Zoning Ordinance presents several ways that a single-family lot can have more than one unit on it, including:

- Accessory Apartments
- Boardinghouses
- Guest Houses
- Guest Rooms
- Registered Living Units

Recommendations

- During the Zoning Ordinance Revision, reduce the number of categories that allow for additional units on single-family lots. Eliminate any overlap between uses. Establish clear definitions that can be understood by the community and the agencies charged with enforcement of the Zoning Ordinance.
- Develop informational materials to distribute to community groups and residents, and to add to existing information on the County website about permitted uses on residential lots and the types of additional units that are allowed.

Issue: The application process for Accessory Apartments is too complicated, can be too costly, and takes too long.

Only about ten new Accessory Apartments approvals are issued annually. According to staff from the Board of Appeals, the Planning Department and the Department of Housing and Community Affairs, almost all applications are approved. The few that are not approved are turned down because the existing house on the property already does not meet a zoning setback requirement (which has nothing to do with the Accessory Apartment application) or the proposed Accessory Apartment does not have proper ways to exit the unit in case of fire or an emergency.

The documentation required to be submitted with an Accessory Apartment Application is quite lengthy and the application form can appear daunting to many homeowners. The application is reviewed by the staff of the Board of Appeals and staff from the Planning Department. The proposed Accessory Apartment is inspected by staff from the Housing Code Enforcement Section when the application is submitted and after the application is approved. The Office of Zoning and Administrative Hearings conducts a hearing and the Hearing Examiner writes a report that is quite detailed and lengthy. The Hearing Examiner's recommendation is reviewed by the Board of Appeals. This whole process often takes between nine to twelve months to complete.

Recommendations

- During the Zoning Ordinance Revision, evaluate accessory apartment regulations and ease requirements without jeopardizing neighborhood quality.
- Remove impediments to accessory apartments by making the application process take less time and be less costly to applicants.
- Consider efforts to streamline the approval process or consider establishing limits on the time allowed for the review of Accessory Apartment Special Exception applications. This limit could be for the entire process, such as the County must review and make a determination on

an Accessory Application within six months of the date of the application, or such a limit could be established for each step in the process, such as the Planning Department must submit its comments to the Hearing Examiner within 60 days after receiving an application.

- Limit the number of occupants of Accessory Apartments to no more than three people.
- Continue the requirement that applicants for Accessory Apartments must live in one of the units.

9. Condominium Conversion Transfer Tax

The Condominium Conversion program ensures that the conversion process includes tenant notification and displacement mitigation, as well as notification to HOC and to the community of a pending conversion. The Condominium Conversion program includes provisions to alert tenants of their rights to purchase their units within 180 days. The County and HOC have the first right to purchase a rental property with 10 or more units where the owner plans to convert the units to condominiums. The program does not prevent the conversion of rental units to condominiums.

Issue: Condominium conversions appear to run in cycles, and seem to occur every ten to fifteen years, especially when other market factors make rental housing less profitable and give owners incentives to sell. The frequency of condominium conversions increases in strong markets when rental housing becomes less profitable and owners have more incentive to sell, which can lead to a sudden reduction in affordable rental options.

Recommendations

- Continue to identify rental properties that are likely to convert to condominium.
- Work with nonprofit housing providers and HOC to acquire rental properties at risk of conversion.
- Continue the Condominium Conversion Transfer Tax.

10. Use of county-owned land for affordable housing

Surplus public properties suitable for affordable housing have been made available to public and nonprofit agencies for assisted or below market housing. DHCA has worked on the following projects:

- Victory Housing's Victory Court project on Fleet Street in Rockville: 86 total units providing mixed-income housing for seniors. The project is scheduled to be completed in April 2013.
- Bowie Mill: Montgomery Housing Partnership and Elm Street Development will be constructing 114 for-sale housing units serving a mix of incomes. The project is scheduled to be completed in 2014.

- Silver Spring Library: Montgomery Housing Partnership and Donohoe Company are partnering together to build up to 134 units of affordable rental housing next to the new Silver Spring Library. The project expects to be built in 2014.

Issue: The high cost of land is a major cost in the development of new affordable housing and impedes the construction of affordable housing. Using available County land can reduce this cost factor in affordable housing. County-owned land often has low-density zoning placed on it requiring a zoning change before the property can be used for affordable housing.

Recommendations

- Include housing affordable for low, moderate, and middle-income households in all suitable public building projects in appropriate locations throughout the County. Projects involving the redevelopment of public land or facilities, such as parking facilities, must at least 30% of total units as affordable housing. Property that is designated as parkland is not considered surplus.
- Develop a database of County-owned land that indicates the current use of the site, the zoning, water and sewer classifications, master-planned and approved uses for the site, and that identifies which site should be looked at for possible affordable housing use. DHCA and Planning Department staff have assessed County-owned land several times over the past decade. Development of a database would improve the ability of staff to consider available sites
- Establish housing as a major preferred use when the County sells property. Achieving this objective should take precedence over receiving full market value for the property. The County should establish a price that permits a developer to provide a proportion of affordable housing that exceeds the 12.5% MPDUs now required of residential projects. Developers benefiting from below market pricing of county property should be required to provide at least 30% of the units at below market prices.
- Review the feasibility of establishing a more streamlined process for affordable housing projects on County-owned land where the subdivision of the land, and the overall land uses and densities, are established through the Mandatory Referral process, and the property then goes through normal site plan reviews. Property owned by Montgomery County that will be used for affordable housing should also have access to the mandatory referral process to establish the appropriate zoning and land uses for the site. Often, the zoning of County-owned land was not addressed in master plans, especially in plans that are more than fifteen years old, and the current zoning is not appropriate for the development of mixed uses on a site or for the construction of affordable housing. County property is a valuable resource from which the County should generate the maximum amount of housing in general and, particularly, affordable housing. The Mandatory Referral process is especially useful and appropriate when the affordable housing is being built next to County facilities and other County uses.

CHAPTER IV

ANNUAL AFFORDABLE HOUSING PRODUCTION GOALS

Need for Affordable Housing

Montgomery County meets its affordable housing needs through a number of programs. County agencies and the Housing Opportunities Commission are using federal, state, and local programs and funding for the provision of affordable housing. In order to address the production needs identified in the Housing Policy, the County is establishing annual goals for affordable housing production.

Each year approximately 4,500 new households are likely to be formed in the County. At-place employment increases also add to the demand for housing in the County.

The current income distribution of households in the County shows that about 27% of County households earn less than \$50,000. At 30% of income for housing costs, \$50,000 can support a rent plus utility payment of \$1,250 per month. The countywide average turnover rent in 2011 for market rate units was just over \$1,440 per month, which means that more than 27% of the households in Montgomery County cannot even come close to affording the average rent for an apartment. Because housing costs are continuing to escalate in the County, we foresee near- and long-term shortfalls of affordable housing units.

To continue to serve households earning \$50,000 or less, this housing policy believes that an affordable housing production goal of 1,000 units per year is necessary. The attached chart lists the County's affordable housing production programs and establishes an annual production goal for each program based on market conditions, program history, forecast needs, and industry and provider capacity. The annual goals are a multi-year average, and may vary annually due to changes in the level of funding available to these programs.

Cost of Producing and Preserving Units

To plan and budget for the County's future housing needs, the County's current programmatic costs have been determined. Existing contracts, loans, and development budgets provided the following cost information.

- The cost to the County of preserving federally assisted housing ranges between \$8,000 and \$12,000 per unit.
- The County's contribution to acquire and renovate multifamily housing is approximately \$50,000 per unit.
- The County's participation in funding the acquisition of group homes is approximately \$100,000 per house.

Recommendations: Annual Affordable Housing Production Goals

The chart on the following pages gives the recommended annual goals for affordable housing production in Montgomery County. These figures should be seen as average annual goals over a 10-year period. The actual annual figures will likely vary, given the need to take advantage of opportunities and address special problems that may arise in any one year. Of the total 2,890 per year unit target, 1,000 are existing units that will be preserved as affordable units, through assistance with rehabilitation, purchase by a public agency or nonprofit organization, or a negotiated rental agreement. The target for new affordable housing is 525 units per year.

These goals are aggressive, but they can be achieved with the funding and organizational focus we propose.

AFFORDABLE HOUSING PROGRAM: PROPOSED ANNUAL PRODUCTION GOALS

Programs	Owner Units	Rental Units	Annual Total Cost (County \$)
Moderately Priced Dwelling Units	50	50	\$0
Section 8 Certificates/ Housing Choice Vouchers		6,000*	\$0
Create new, and rehab existing, Group Home, Transitional, and Special Needs Housing Units		300	\$7,700,000
Rental assistance and eviction prevention funded by Recordation Tax funds			\$4,400,000
Acquisition and Rehabilitation of existing rental housing to preserve or create affordable housing, including federally assisted housing		150*	\$6,000,000
New Construction rental housing		100	\$4,000,000
HOC and Nonprofit MPDU Acquisition		20	\$1,000,000
Construction of Elderly Housing and Assisted Living Units		50	\$4,000,000
Accessory Apartments		10	\$0
HOC Public Housing Rehabilitation		75*	\$1,000,000
Annual New Units: 400 Annual Preserved Units: 150 Annual Housing First Units: 220	Total Annual County Financing : \$31,000,000		

* Units preserved, not added to the housing stock.

APPENDIX A: DEMOGRAPHIC AND ECONOMIC CONDITIONS

Overview

Montgomery County experienced tremendous demographic and economic changes since the County's General Plan was adopted in 1964 and the County's first affordable programs were developed in the early 1970s. In the early Twentieth Century, Montgomery County was primarily a farming community. By the middle of the Twentieth Century, Montgomery County developed into what was primarily a suburban, bedroom community for Washington, D.C.

In the later decades of the Twentieth Century, and continuing today, the County became an important regional employment center. The availability of a highly skilled population and the presence of many federal agencies attract companies, especially those in the bio- and information-technology sectors, to Montgomery County. New residents have been attracted to the County's high quality of life, excellent schools, booming job market, strong neighborhoods, and sound housing. Montgomery County is now a maturing developed county, rich in diversity, with strong urban and suburban centers. It is a very different place from the homogeneous county of the 1950s. Extensive development and the implementation of policies and programs to protect open space and agricultural land have reduced the amount of land available for new housing. Neighborhoods built before 1950 have aged, and some now need extensive reinvestment in the housing stock and urban infrastructure if the quality of life is to be preserved.

A. Demographic conditions

1. Population

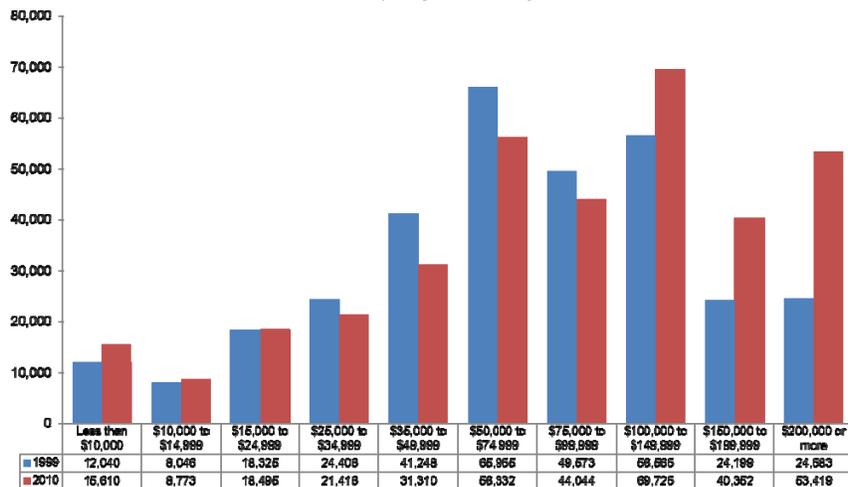
- Montgomery County's population reached 971,777 in 2010, an increase of nearly 100,000 people (11.3%) from 2000. Compared to the more than 3,000 counties in the nation, Montgomery County is now the 42nd most populous county, up from 49th place in 2000. It remains the second most populous jurisdiction in the Washington, D.C. metropolitan area, next to Fairfax County, Virginia, which has 1,081,726 residents.
- Consistent with national and regional population trends, Montgomery County's population grew more diverse over the past decade. Montgomery County is now one of 336 "majority-minority" counties in the United States. In 2010, Non-Hispanic Whites make up 49.3% of the County's population, down from 59.5% in 2000. Nearly all neighboring counties saw increases in their minority populations.
- Montgomery County's Hispanic population grew at the fastest pace (64.4%), followed by Asian and Pacific Islanders (37.0%), Blacks (25.0%) and other minority groups (21.3%). The 39.3% increase in all minority groups combined offset a 7.8% decline in the number of non-Hispanic Whites living in Montgomery County. Hispanics are now the County's second largest population group (17.0%), followed by Blacks (16.6%), Asian and Pacific Islanders (13.9%) and "Other" (3.2%). All communities within Montgomery County saw an increase in the minority share of their population.

- Census and demographic forecasts predict that Montgomery County will gain 225,959 additional residents between 2010 and 2040, a 24% increase. More than 100,400 households are expected to be added to the County between 2010 and 2040, a 28% increase.

2. Income

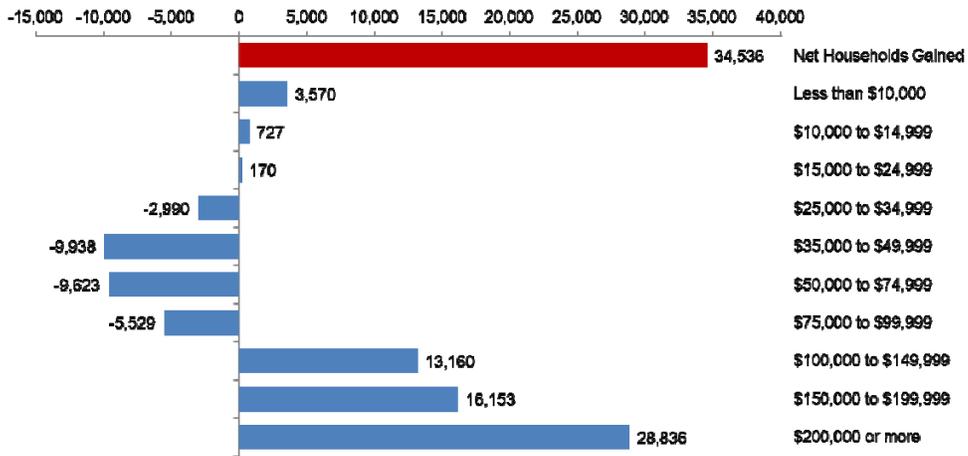
- The median income in Montgomery County in 2010 was \$89,155, a 4.8% decrease from the median income of \$93,600 in 2000. The County ranks fifth in the Washington, D.C. metropolitan area and ninth nationwide in median household income. When compared with 2000 data, in 2010 the number of households has increased at the lowest and highest income brackets. More households earned less than \$25,000, and more earned more than \$100,000. Households with income of \$200,000 or more nearly doubled from 8% in 2000 to 15% in 2010.
- The County held its peak income levels longer than other places in the country, reflecting the resilience of the local economy. The median household income peaked in 2007 at \$96,422, remained steady through 2009, and then dropped to \$89,155 in 2010. These trends mirror the national recession. When adjusted to 2010 dollars, households lost overall income since 2000. Black and Hispanic households, as well as renter-occupied, non-family, and family households, lost income since 2000. Asian, Non-Hispanic Whites, and owner-occupied households made gains during that same time.
- An estimated 7.5% of Montgomery County’s population, 72,259 residents, lived in poverty in 2010, marking the highest poverty rate in two decades. The state poverty rate in 2010 was 9.9%, which continued to be lower than the national rate of 15.3%.

NUMBER OF HOUSEHOLDS IN INCOME BRACKETS 1999 AND 2010
(Unadjusted dollars)



Sources: U.S. Census Bureau's Decennial Census 2000 and American Community Survey (ACS) 2010 1-Year and Montgomery County Planning Department.

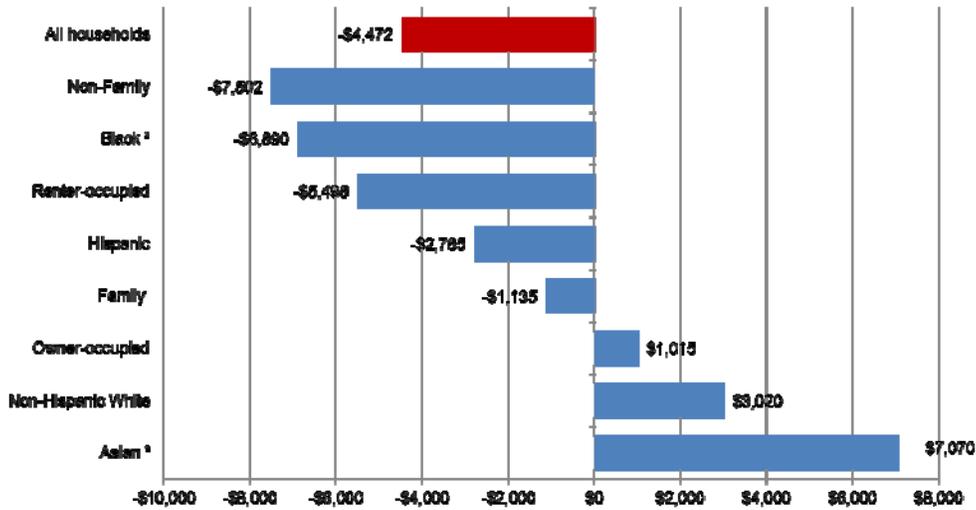
**CHANGE IN NUMBER OF HOUSEHOLDS
BY INCOME BRACKETS FROM 1999 TO 2010**
(Unadjusted dollars)



Sources: U.S. Census Bureau's Decennial Census 2000 and American Community Survey (ACS) 2010 1-Year and Montgomery County Planning Department.

2

**NET CHANGE IN MEDIAN HOUSEHOLD INCOME
BY TENURE, RACE, AND ETHNICITY 1999 to 2010**
(in 2010 dollars)



Sources: U.S. Census Bureau's Decennial Census 2000 and American Community Survey (ACS) 2010 1-Year and Montgomery County Planning Department.

4

- The Self-Sufficiency Standard for Montgomery County in 2012 was \$17.07 an hour (\$36,060 annual income) for a single adult, and was \$19.62 an hour per adult (\$82,877 annual income)

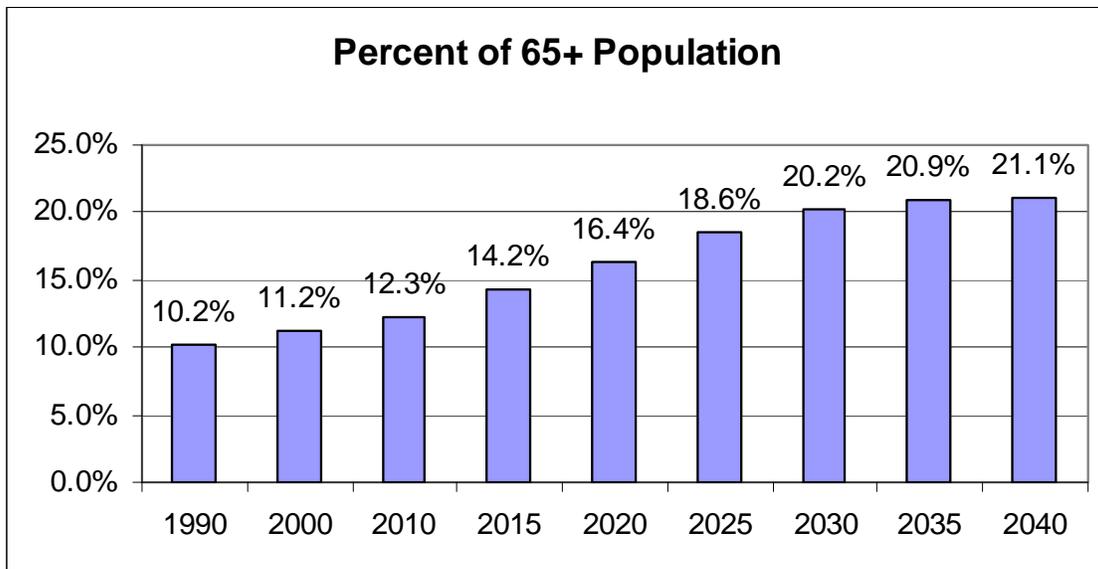
for a household with two adults and two young children. The Self-Sufficiency Standard describes how much income families of various sizes and compositions need to make ends meet without public or private assistance. The measure is published annually by the Maryland Community Action Partnership. In 2001, the Self-Sufficiency Standard annual income was nearly 30% lower: for a single adult the annual Self-Sufficiency income in 2001 was \$24,292, and was \$56,462 for a household with two adults and two young children.

3. Seniors

- A key need for seniors is affordable and accessible housing. Many seniors express a preference to “age in place” in their current residences, however, many homes are not equipped to accommodate their needs. Homes not designed for senior residents can result in frequent injury from falls difficulties accessing the home from the outside, or impaired mobility within the home due to stairs or steep inclines. As abilities to drive decrease with age, seniors in car-dependent neighborhoods may have difficulties accessing necessary services, such as going to the grocery store or to the doctor. Seniors may also have an inability to afford to maintain their property properly or to pay utilities and property taxes. This set of problems can result in the voluntary or involuntary need to relocate to another place of residence. However, the lack of affordable options is a barrier to these necessary transitions.
- The 2010 Census showed 119,770 seniors aged 65 and above in the County (12.3% of the total population), with projections that this number will increase to 174,290 by the year 2020, a 45% increase, and would result in seniors being 16.4% of the total population. Census projections estimate that by 2040, 21% of the County’s population will be aged 65 and above.

Actual & Projected Senior Population in Montgomery County, 1980 - 2030

Source: Prepared by the Maryland Department of Planning, May 2012
Population and Household Data from 1970 through 2012 from the U. S. Census



- Slightly more than one-quarter (26.3%) of Montgomery County’s household base in 2011 is composed of households headed by a senior 62 and over. Senior renter households represent approximately 20% of all senior households living in the County.
- The growing senior population in Montgomery County may lead to a shift in housing demand. Seniors will likely move out of larger single-family homes into smaller condominiums or rental units, or even into assisted living or other types of congregate care. These relocations may make some larger existing housing units available. The increase in the under 20 age group spells more future demand for larger “family-sized” units, likely the same units the retirees will be leaving. More analysis is needed to pinpoint the prices of retiree’s units and how that relates with incomes of new families.
- Demand is increasing for assisted-living senior housing. Estimates of unmet demand show a need for as many as 1,500 assisted living units. The supply of senior housing increased by 1,600 units from the year 2001 to 2005. At the same time, however, the number of nursing units, assisted living units, and subsidized assisted living units declined. This indicates a potential shortage in housing for seniors with the most needs.
- Research by the Planning Department and the Department of Housing and Community Affairs shows that currently the County has an adequate supply of market-rate and high end independent living units, but that there is a lack of affordable independent living options. Data from the 2012 Rental Facility Survey showed that market-rate elderly independent living units had an overall vacancy rate of 18.7%, compared to a vacancy rate of 3.8% for affordable and subsidized elderly independent living units.
- The Housing Opportunities Commission (HOC) has over 3,000 seniors on its waiting list for low cost senior housing.

4. Homeless

- Despite vigorous efforts, the demand is steady for housing for individuals and families transitioning from homelessness.
- Each year, County agencies and service agencies conduct a one-day count of the homeless population in the County. In 2010, the Homeless Point-in-Time Census counted 1,064 homeless persons. In 2000, the Point-in-Time Census counted 1,089 homeless persons. The most recent survey, conducted early in 2012, shows a slight decrease in the number of homeless individual adults, but the number of homeless families remained constant:

**Montgomery County Homeless
Homeless Point-in-Time Census, 2010, 2012**

Source: Montgomery County Department of Health and Human Services

	2010	2012	Percent Change 2010 - 2012
Total Homeless Persons	1064	979	-8.0%
Individual Adults	692	598	-13.6%
Unsheltered	181	128	-29.3%
Emergency Shelter	355	328	-7.6%
Transitional Housing	156	142	-9.0%
Families with Children	124	126	1.6%
Unsheltered	0	0	-
Emergency Shelter	59	69	16.9%
Transitional Housing	65	57	-12.3%
Adults in Families with Children	138	152	10.1%
Unsheltered	0	0	-
Emergency Shelter	66	81	22.7%
Transitional Housing	72	71	-1.4%
Children in Families with Children	234	229	-2.1%
Unsheltered	0	0	-
Emergency Shelter	115	117	1.7%
Transitional Housing	119	112	-5.9%

- The 2012 Point-in-Time Survey also found that the number of people in Permanent Supportive Housing on the day of the count was 598, an increase of 18% from the 505 counted in 2011 and a 35% increase from the 442 counted in 2010. People who are in Permanent Supportive Housing are not homeless. However, they are counted in order to assess whether progress is being made in moving to housing people who have been living in homeless shelters or have been unsheltered homeless.
- In FY2012, Montgomery County issued 4,315 eviction prevention/ housing stabilization grants using more than \$2.8 million in County and state funds.
- In FY2012, HHS, DHCA, and HOC provided rental subsidies using County funds to more than 2,100 low income households, people with mental illness living in a group home, and families that have experience homelessness or were at risk of homelessness.
- The County estimated in 2010 that 837 individuals, and an additional 446 families with children, had an unmet need for permanent housing units that provide supportive services.

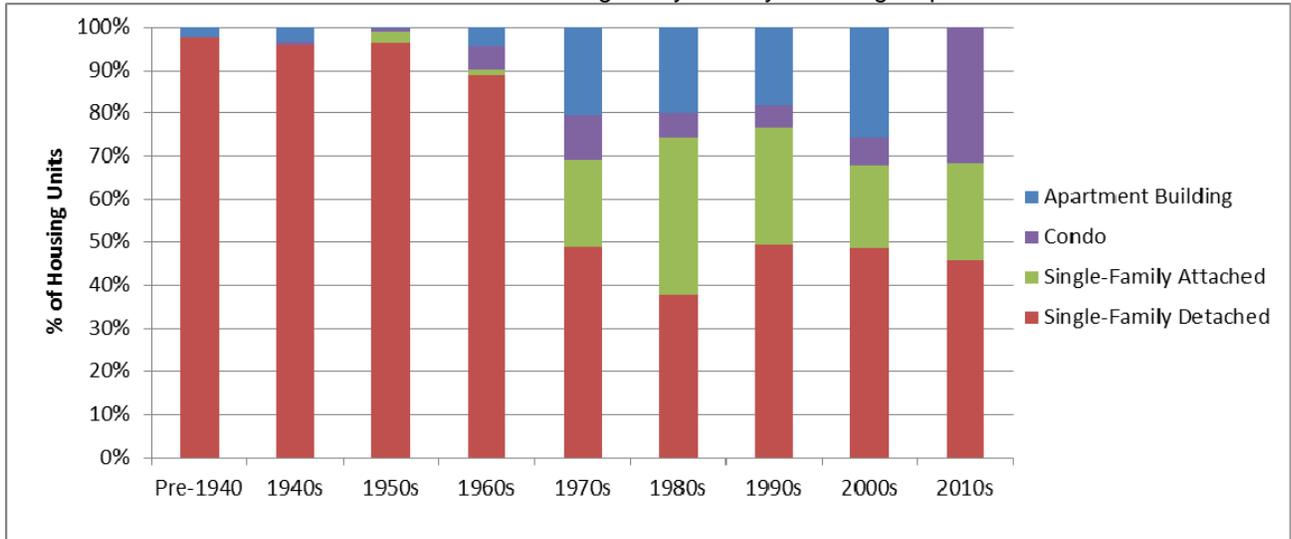
B. Housing conditions

1. Housing Supply

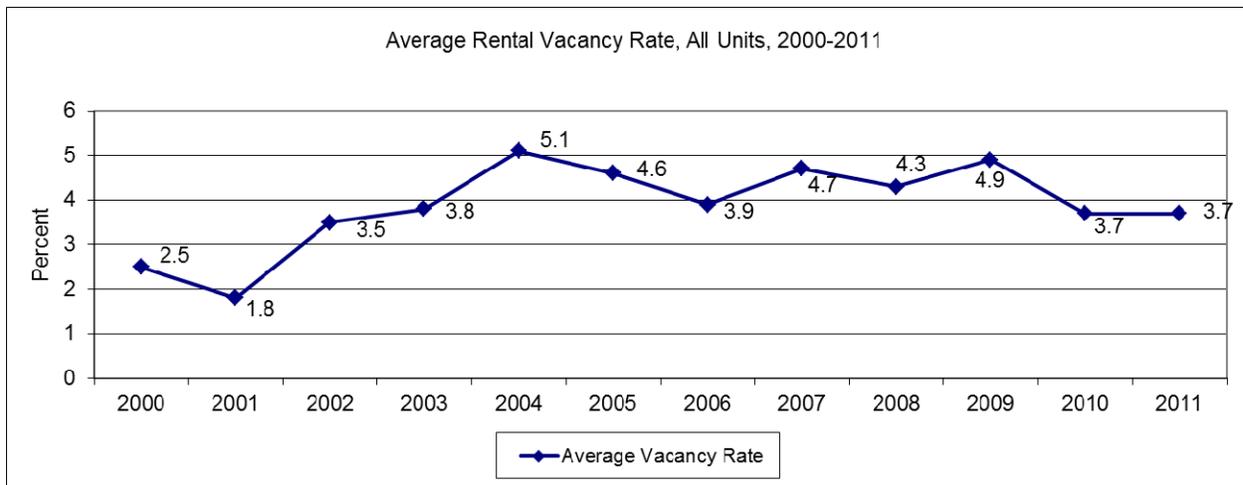
- According to the 2010 Census, Montgomery County has 376,023 housing units.
- The County's housing supply is predominately comprised of single-family detached homes.

Housing By Type in Montgomery County

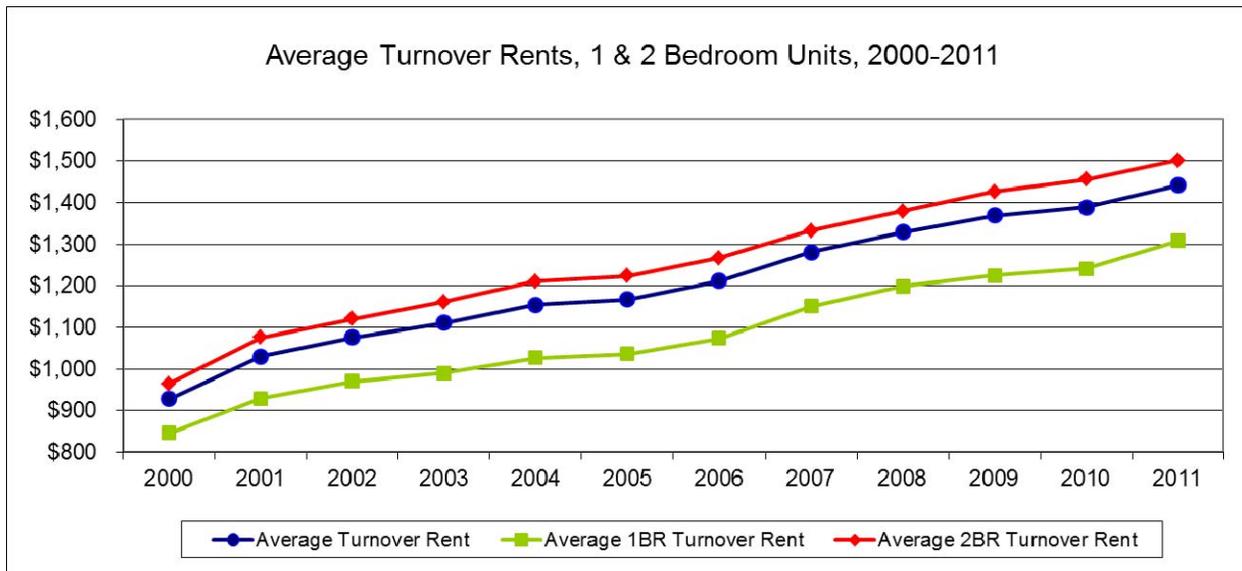
Source: U. S. Census and Montgomery County Planning Department



- More than 95% of the housing units County-wide are occupied. A County vacancy rate of just over 4% indicates a tight, stable housing market. Low production of multi-family housing and high demand by workers continues to cause very low rental vacancy rates and increasing annual turnover rent increases. In 2011, the rental vacancy rate stood at 3.7%, a figure considered by the housing industry to be lower than the amount of vacancy caused by normal turnover.
- The average one-bedroom unit in 2011 rented for \$1,308 per month, up from \$846 in 2000 (a 55% increase), and the average two-bedroom unit rented for \$1,502, up from \$965 in 2000 (a 56% increase). Overall, all rents in the County averaged \$1,442 per month, up from \$928 in 2000, a 5% average increase each year for a 55% increase over the decade.



Source: DHCA Rental Vacancy Surveys



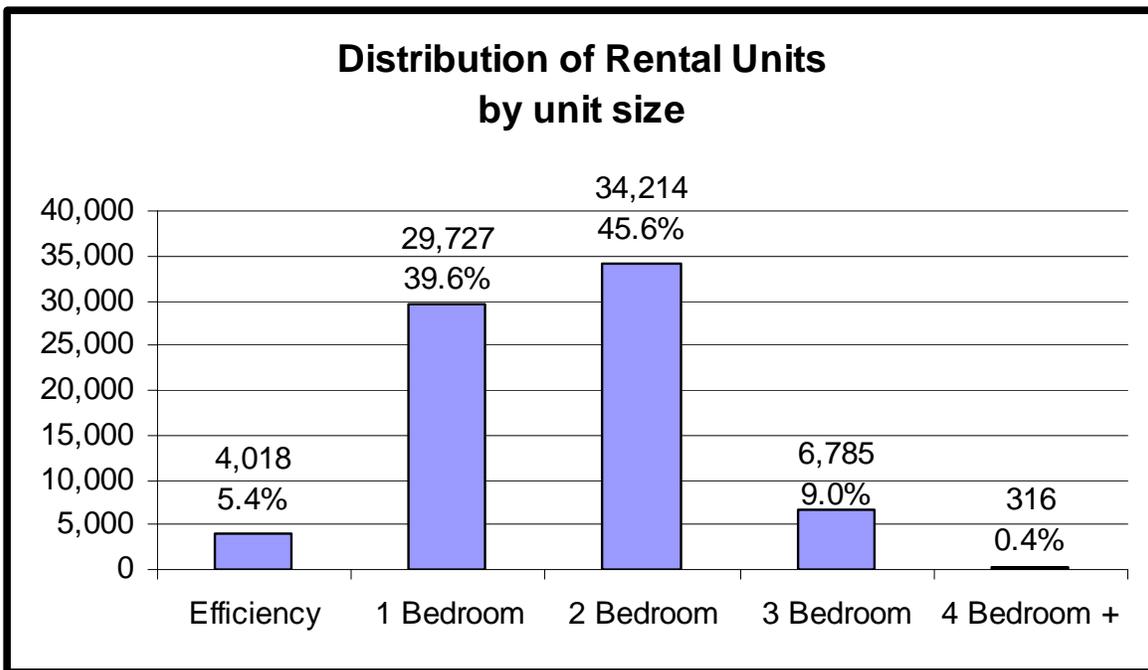
Source: DHCA Rental Vacancy Surveys

- Older neighborhoods of modest homes or garden apartments are vulnerable to decline if the neighborhoods and the housing units are not maintained. The homes are susceptible to tear-down and infill development because they are often well located in down-County and mid-County areas near employment and shopping centers, services, and public transit routes. These neighborhoods contained over 140,000 affordable homes in 2009, representing a significant amount of housing affordable to households with moderate incomes. This is double the number of affordable new units that can reasonably be expected to be added to the housing stock by 2030.
- The County's housing stock overall is in sound condition, with most homes and apartment buildings being free of housing code violations and in good repair. Many homes and neighborhoods could be at risk of deterioration as they age. While 24% of the County's housing units were built in the past 20 years, more than 50% are more than thirty years old.

<u>No. of Units in Structure</u>	<u>Percent of Total Units</u>
Single-family detached	48.0%
Single-family attached	18.3%
Duplex	0.5%
3 – 4 DU	1.1%
5 – 9 DU	5.0%
10 – 19 DU	10.0%
20 DU and more	16.9%

<u>Year of Construction</u>	<u>Percent of Total Units</u>
2005 or later	4.5%
2000 – 2004	6.7%
1900 – 1990	12.3%
1980 – 1989	22.6%
1970 – 1979	16.7%
1960 – 1969	15.3%
1950 – 1959	12.3%
1940 – 1949	5.2%
1939 or later	4.4%

- Nearly all (99.5%) of the County’s housing units have complete plumbing facilities.
- In 2010, approximately 50 housing units had been condemned by County regulatory authorities.
- Economic growth, in-migration, and resident population growth are expected to add about 4,000 households per year to Montgomery County. Housing production, especially of units for individuals and households below the median income, has not kept pace with recent increases in demand. Annual housing production averaged fewer than 3,600 units per year between 2000 and 2010.
- The nation, including Montgomery County, continues to be affected by the lingering effects of the global financial crisis that began to surface in 2007 resulting in reduced housing values and difficulties in obtaining financing for housing and business growth, although as this report is being written, a rebound is being seen.
- According to the annual DHCA Rental Survey, the majority of multifamily rental units in the County have one and two bedrooms. One and two bedroom units are 86% of the total rental housing stock. Three-bedroom units make up 9% and efficiency units comprise 5.4% of the County’s rental units. There is a need for larger multi-family units. Units with four or more bedrooms are only 0.4% of the total rental units in the County, and have the lowest vacancy rate of any unit type. This indicates a pent up demand for three- and four-bedroom units.



Source: DHCA

2. Cost and affordability of housing

- A Planning Department study completed in 2008 using data from the 2005 Census Update Survey revealed that the County had a shortage of between 43,000 to 50,000 units that were affordable for households earning less than the median income at the time of \$90,000 a year for a family of four. In contrast, a surplus of units was available to those with more than \$150,000 in annual household income. Lower and moderate income households were paying greater than 30% of their household income on housing; living in smaller than ideal units (greater than two persons per bedroom), and could not afford to purchase a home. The housing supply shortage for households earning low to moderate incomes is expected to worsen over the next twenty years. Every indication is that the findings in this study continue to be valid, but it is important that this study be updated as soon as possible. Studies completed in 2008, when housing prices were steadily appreciating, estimated that by 2030 it will be difficult for a household with an annual income of \$120,000 or less (in constant 2009 dollars) to afford a home in much of Montgomery County. By then, the report estimated that the gap in affordable housing would reach 62,000 units.
- Many renters are paying a greater share of their income toward rent. The American Community Survey (ACS) 5-Year Estimate indicates that about 53,000 Montgomery County renter households, or 50.8%, were paying 30% or more of their income in gross rent.
- An annual income of \$57,680 is necessary to afford an apartment at \$1,442 per month where the rent cost is equal to 30% of gross income. The ACS 5-Year Estimate shows that there were 353,177 households in Montgomery County in 2010. Approximately 87,000 households earned less than \$50,000, or about 24.6% of all households.

- The County has a severe deficiency of affordable housing for larger households. The 2008 Housing Supply and Demand study indicates that households with four or more persons have a deficiency of approximately 11,000 units that are affordable, with three person households having a deficiency of approximately 7,000 units. This trend continues and worsens into 2030. Larger families with incomes up to \$120,000 face restricted affordable housing options.
- The 2010 Census showed that homeownership rates in Montgomery County dropped slightly between 2000 and 2010, and that a higher percentage of new homes were rented compared to the 1990s. The biggest decline in homeownership rates occurred in the households under the age of 45, where less than half owned a house. This was a drop of 5.5% since 2000. Of the new households formed between 2000 and 2010, 57% were owner-occupied a decline from 1990 when 74% of new households were owners. In 2000, 68.7 of County residents owned their own homes, which declined to 67.6% in 2010.
- The median sales price of existing townhouses in 2010 was \$215,000 and the median sales price for new townhouses was \$304,000. A household purchasing a home at \$215,000 would need to earn an estimated \$41,573 annually, and a household purchasing a home costing \$304,000 would need to earn \$58,119. Since nearly 25% of all households in Montgomery County earn less than \$50,000, this means that homeownership is out of the reach of nearly one-quarter of the households in Montgomery County.

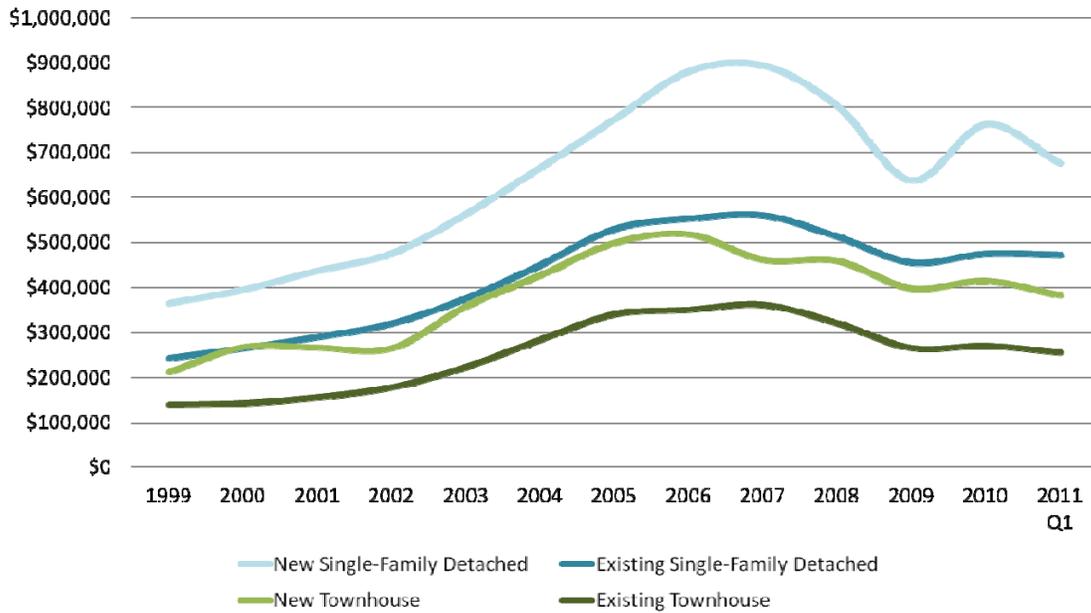
Montgomery County’s median sales price for all housing types – single, multi-family, new and used

MEDIAN SALES PRICES					
2005	2006	2007	2008	2009	2010
\$425,000	\$439,000	\$444,000	\$395,000	\$340,000	\$350,000

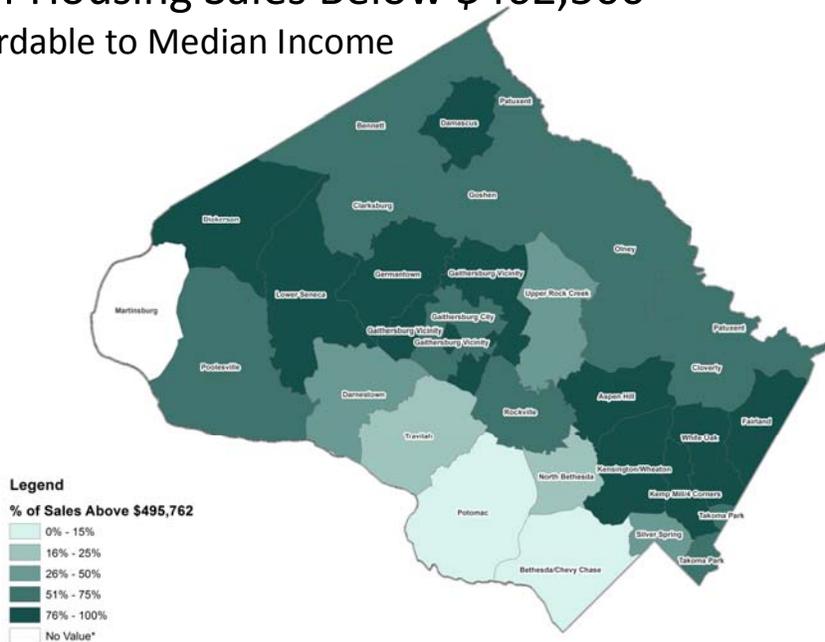
Source: Montgomery County Planning Department

Median Housing Sale Value

Montgomery County, 2011



% of Housing Sales Below \$462,500 Affordable to Median Income



Source: U.S. Census American Community Survey, 2009; Montgomery County Planning Department Parcel Snapshot 2012 Q1

- What is affordable to a household of four making the Area median income of \$107,500 in Montgomery County? Out of 8,187 sales in 2010, about 5,000 or 63% were below \$462,792

3. Housing for workers filling Montgomery County jobs

- Between 2010 and 2030, studies forecast that Montgomery County will gain 163,008 new jobs, a 34% increase, and the County will need between 70,000 and 100,000 new housing units to house these workers. The George Mason University Center for Regional Analysis states that, “To ensure that new workers are able to live in the region, housing must be available at the right prices and rents.” The Center also states, “The types of housing that will be needed to accommodate new workers over the next 20 years reflect the changing demographics of workers and mix of future jobs in the region.” They estimate that about 39% of the new housing units will need to be in the multi-family rental category.

Estimates of Housing Demand by Unit Type : 2010 - 2030				
Montgomery County				
<i>High Estimate</i>				
Total Units	Single-Family		Multi-family	
	Owner	Rental	Owner	Rental
108,522	29,989	6,669	24,588	47,276
% of total units	27.63%	6.15%	22.66%	43.56%

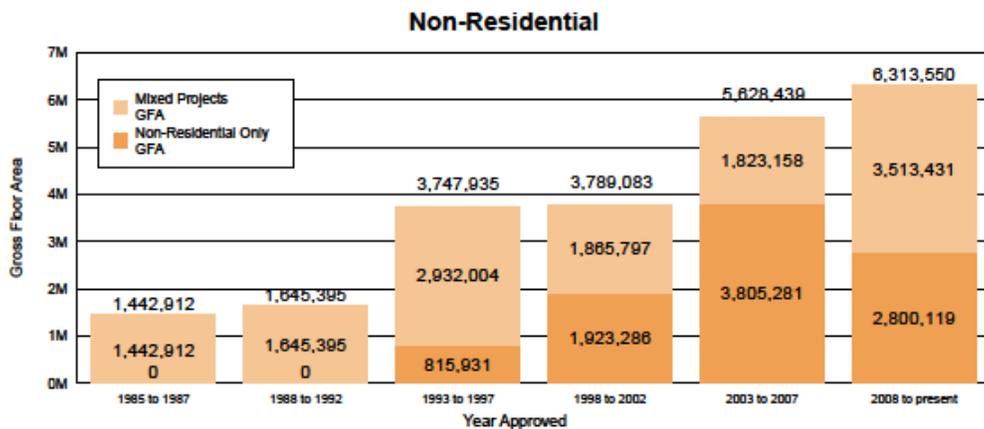
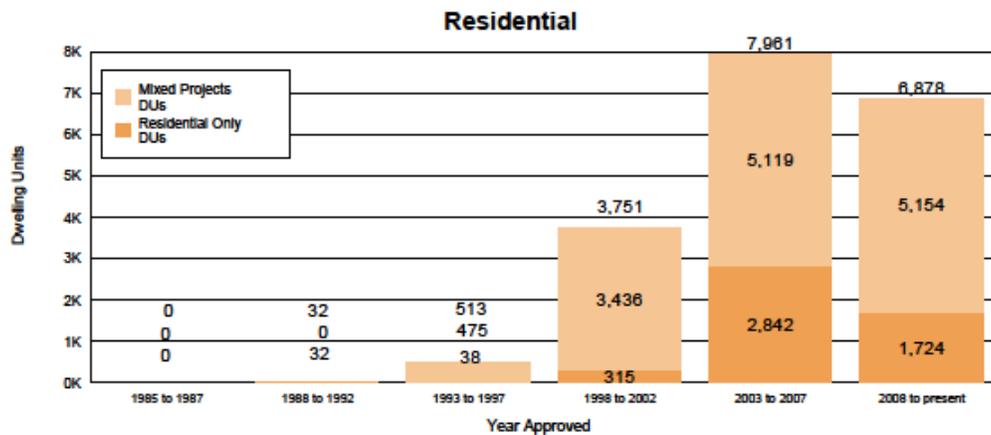
Source: “Housing the Region’s Future Workforce”, George Mason University School of Public Policy, Center for Regional Analysis, October 25, 2011

- Numerous studies over the years have confirmed that the County has more jobs than resident workers and this situation is likely to continue. As such, Montgomery County is a net labor importer. This leads to higher home prices and rents, increased traffic, and demands on County roads and the environment. Additions to the housing stock would help the situation. In addition to reducing scarcity, more housing can have a moderating effect on housing prices.
- The metropolitan Washington, D.C. area economy is strong. While the overall area generates more jobs than other parts of the country, Montgomery County did not add any net new jobs between 2000 and 2010. Montgomery County’s population is getting older and younger at the same time. The largest population increases are in the over 50 and under 20 age groups. This correlates into a looming shortage of workers.
- Over the next 20 years, the Washington DC metropolitan area will add more than a million net new jobs. At the same time, the region will need 1.8 million replacement workers to fill jobs vacated by retirees and others. The ability to absorb these new workers into the region and to ensure robust regional economic growth depends critically on providing a sufficient amount of housing of the right types and prices and in the right places. The level of traffic congestion is worsening and our region's workers face some of the most arduous and longest commutes in the nation. Employers are concerned about the ability to attract new workers because of the price and availability of housing. According to a 2011 study by the George Mason University Center for Regional Analysis, “Without local cooperation and a regional housing strategy, the future health of the Washington area economy could be threatened.”

4. Housing likely to be developed in the future

- Large-scale subdivision construction is nearing its end in Montgomery County. Most of the new housing that will be built during the next decade will be multi-family buildings in mixed-use centers served by public transportation and in redeveloped commercial strips and malls.

July 2012 Pipeline*



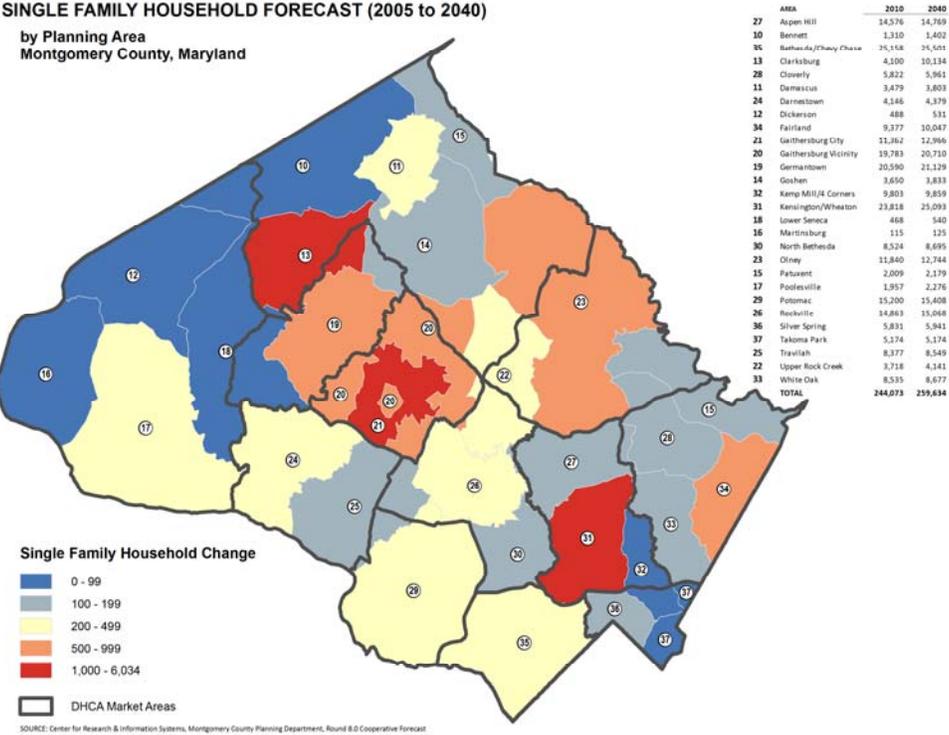
	# of Plans	Residential Unbuilt DUs	Mixed Unbuilt DUs	NonResidential Unbuilt GFA	Mixed Unbuilt GFA
1985 to 1987	3	0	0	1,442,912	0
1988 to 1992	7	32	0	1,645,395	0
1993 to 1997	25	38	475	2,932,004	815,931
1998 to 2002	53	315	3,436	1,865,797	1,923,286
2003 to 2007	169	2,842	5,119	1,823,158	3,805,281
2008 to present	130	1,724	5,154	3,513,431	2,800,119
Total	387	4,951	14,184	13,222,697	9,344,617

8/14/2012

Mixed developments contain residential DUs and non-residential GFA
 * does not include Rockville or Gaithersburg Pipeline data
 Source: Montgomery County Planning, Research and Technology Center

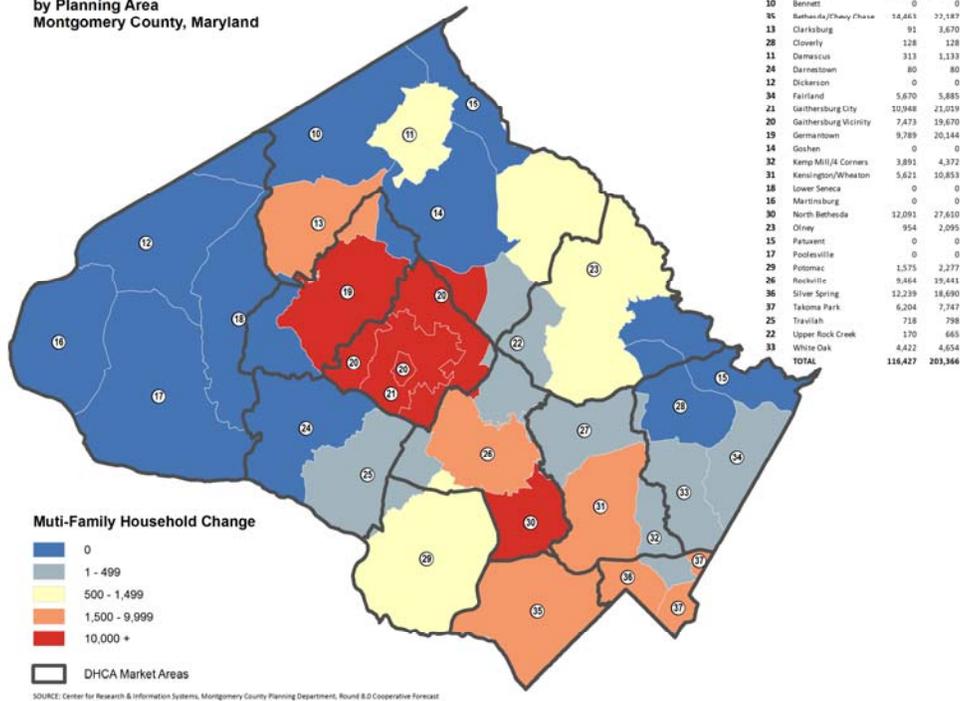
Page 1 of 1

- The 2012 development pipeline for multi-family residential communities includes 12 projects that are under construction and expect to build another 4,000 units, and 60 projects that have not yet started construction that expect to build 18,000 units. The pipeline does not break out multifamily units into rental or condominiums, and some of the units listed as multifamily may be townhouse units.
- The 2008 Housing Demand and Supply Report reported that the development pipeline for multi-family residential communities included at that time 76 properties with an estimated 11,635 rental apartments and 1,514 condominiums. The report went on to state that even with the pipeline taken into account, there is an unmet demand of nearly 1,800 units in the next 5 years.
- Housing and population forecasts estimate that the single-family housing stock will increase by 6% by 2040, but the multi-family housing units will increase by nearly 75%. Occupancy trends in multi-family housing are changing. Multi-family housing attracts a diverse demographic base including families and persons with advanced degrees. Families account for nearly half of multi-family households countywide. Multi-family housing is a crucial source of housing for newcomers and short-term residents.
- Some analysts warn that housing-burdened middle-class households might leave Montgomery County. In the past, these out-movers, especially skilled blue collar and service workers, tended to stay in the region, settling in outer suburban and rural counties. However, higher gas and living costs have made this situation too difficult to maintain both for households bearing commuting costs, and governments trying to build adequate roads and transportation options.



MULTI-FAMILY HOUSEHOLD FORECAST (2005 to 2040)

by Planning Area
Montgomery County, Maryland



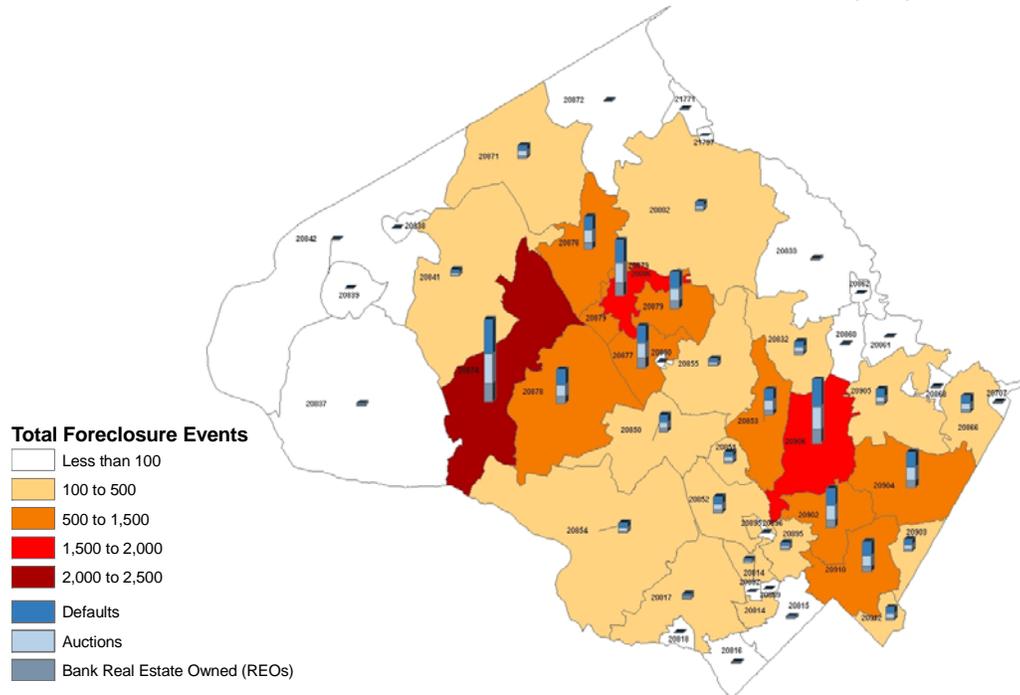
5. Foreclosures and condominium conversions

Foreclosures

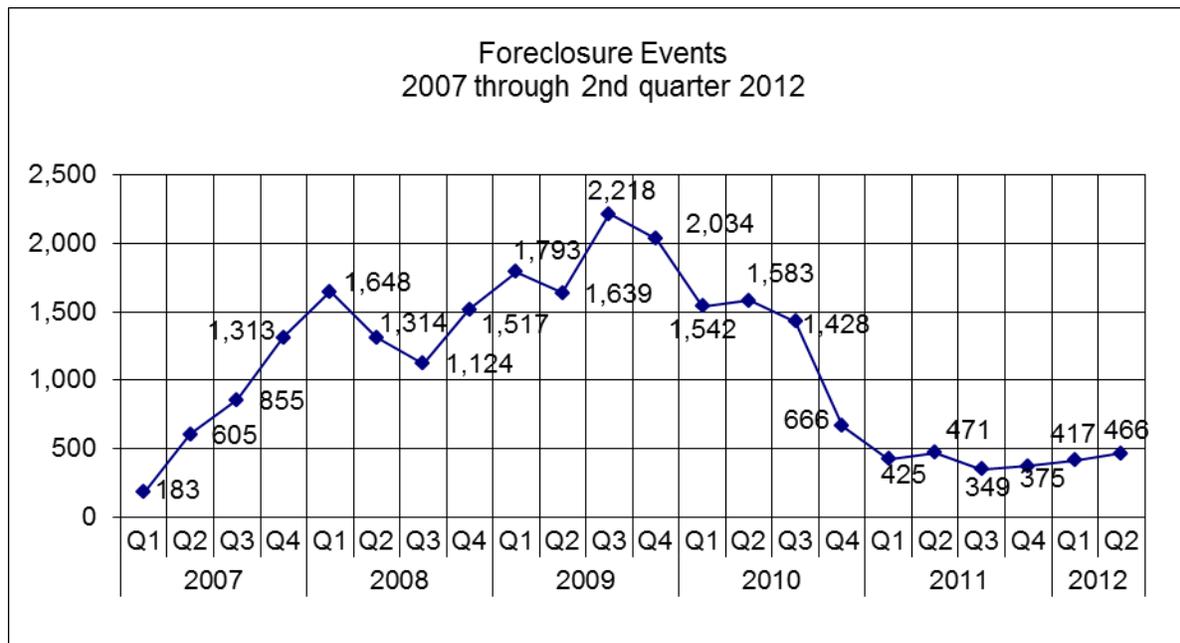
- Since the mortgage crisis, the foreclosure rate has risen dramatically across the country and in Montgomery County. The national foreclosure rate stood at 8.25% in December 2011. Communities across the country are facing rising foreclosures due to a combination of poorly underwritten mortgages, reduced home values that have made it more difficult for owners to refinance, and, increasingly, income reduction and unemployment.
- From the peak of 2,218 foreclosure events in the third quarter of 2009, Montgomery County has experienced an 84% decrease in total foreclosure events. With 349 foreclosures, activity was lower in third quarter 2011 than at any time during the period between 2008 to date. (A foreclosure event is defined as a notice of default, a notice of sale, or real estate taken over by a bank). The number and type of future foreclosures in the future are uncertain.
- Foreclosures are clustered in certain areas of the County. The top two zip codes (20874 and 20906) sustained well over twice the number of foreclosure events than any of the remaining top ten zip codes. Forty-four zip codes of the seventy-six zip codes in the County had foreclosure activity since 2008. Over this period, three zip codes (20874, 20906, and 20886) had significant foreclosure activity (between 1,500 and 2,300 events). Of the remaining forty-one zip codes, 33 had fewer than 500 foreclosure events, and of those, over half (17 zip codes) had fewer than 80 foreclosure events.

- Montgomery County assisted more than 5,700 households with foreclosure counseling through 2011. According to foreclosure counselor agency reports, the most commonly reported outcome is that the owner's mortgage was modified.

2008 to Third Quarter 2011 Foreclosure Events by Zip



Source: RealtyTrac, Maryland Department of Housing & Community Development (DHCD), and Montgomery County Planning Department, 2008 through 3rd Quarter of 2011



Source: Montgomery County Planning Department

Condominium conversions

- Starting in the early 2000s, and peaking in 2007, several rental properties converted to condominiums. Twenty-six properties totaling 3,831 units converted to condominiums during this time.

APPENDIX B
NUMBER OF MPDUS PRODUCED SINCE 1976

Year	For Sale	Rental	Total for Year
1976	108	9	117
1977	139	13	152
1978	55	47	102
1979	105	37	142
1980	404	120	524
1981	433	63	496
1982	702	63	765
1983	468	237	705
1984	565	659	1224
1985	369	475	844
1986	644	232	876
1987	597	348	945
1988	242	110	352
1989	162	105	267
1990	242	46	288
1991	253	106	359
1992	283	0	283
1993	408	0	408
1994	334	0	334
1995	292	46	338
1996	282	87	369
1997	218	12	230
1998	211	0	211
1999	122	143	265
2000	121	65	186
2001	150	71	221
2002	128	80	208
2003	13	130	143
2004	285	8	293
2005	192	208	400
2006	396	0	396
2007	24	53	77
2008	51	227	278
2009	69	96	165
2010	110	60	170
2011	113	0	113
Total	9,290	3,956	13,246

Average Annual MPDU Production Through 2011:

For Sale = 258
 Rental = 110
 Ratio of Sales to Rental 2.3:1

Average Annual Production 1976 - 1993

For Sale = 343
 Rental = 148
 Ratio of Sales to Rental 2.3:1

Average Annual Production 1994- 2011

For Sale = 173
 Rental = 71
 Ratio of Sales to Rental 2.4:1

Average Annual Production 2000- 2011

For Sale = 138
 Rental = 83
 Ratio of Sales to Rental 1.7:1

Approximate Number of MPDUs Under Control:

For Sale = 1,236
 Rental = 1,125
 HOC owned= 1,500
 3,861

Rental MPDUs That Will Be Expiring In The Next 10 Years

Project Name	# of MPDUs	MPDU Expiration Date
Avalon Fields II	58	8/24/15
Morgan, The	20	6/29/16
Archstone at Milestone	75	7/31/16
Seasons, The	42	4/2/19
Avalon at Rock Spring	70	4/16/19
Gables at Rothbury Square (AGP)	15	6/30/20
Elms at Kingsview Village	41	1/16/21
Pinnacle, The	42	4/26/21
Blair Park	<u>10</u>	4/26/22
Total	373	

Source: DHCA, January 2012