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# Montgomery County Affordable Housing



Photos by: Christy Bowe 2006

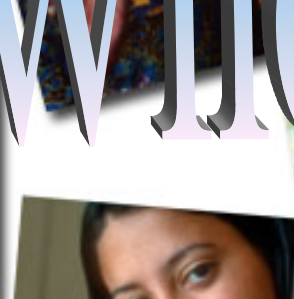


**Montgomery County Department of Housing and Community Affairs – January 2007**





# Who We Are

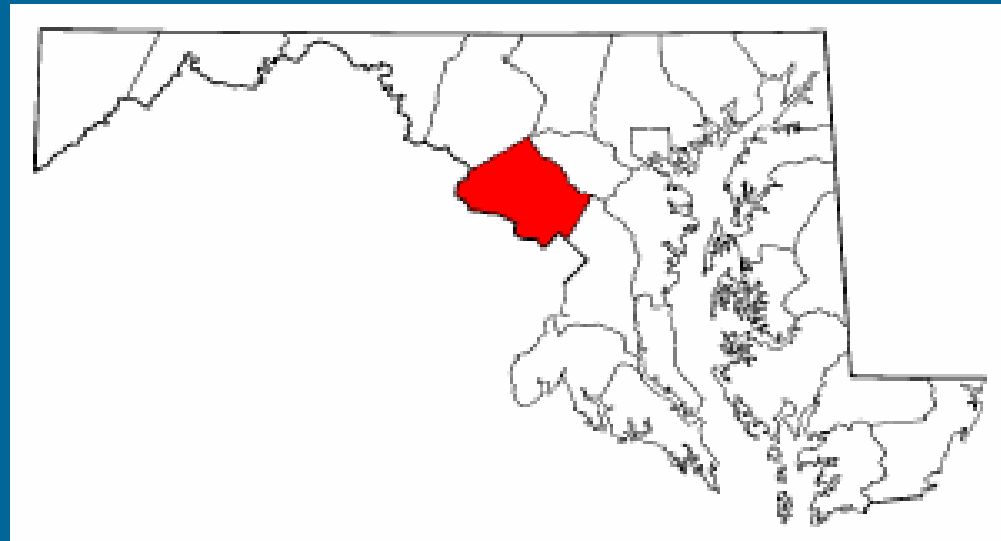


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# Profile

- Established in 1776 by dividing Frederick County
- Population 927,583<sup>1</sup>
- 495.5 square miles
- 3 cities, 12 towns, 4 villages, 3 special tax districts and 36 census-designated/unincorporated places
- Bordered by:
  - Frederick County (NW)
  - Howard County (NE)
  - Prince Georges County (E)
  - Washington D.C. (SE)
  - Fairfax County (S)
  - Loudoun County (SW)

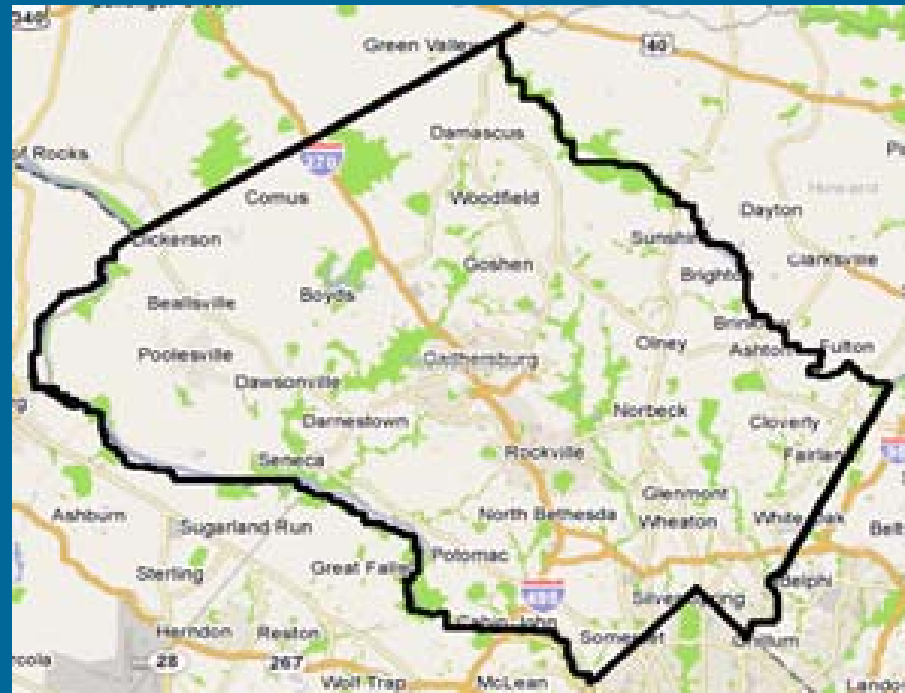


Images courtesy of Wikipedia.com and Dataplace.org

<sup>1</sup> Dataplace.org – 2005 estimate

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# Growth and Diversity

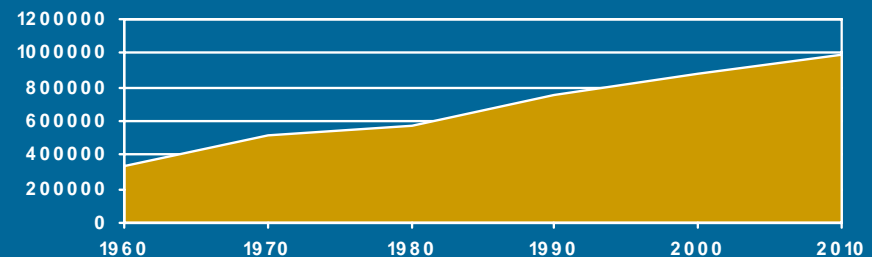
## ■ Steady growth

- ❑ 1980 – 1990: 30%
- ❑ 1990 – 2000: 15%
- ❑ The county's growth between 1990 to 2000 accounts for one quarter of the State's population change.
- ❑ This growth was greater than that found in our neighboring Maryland counties, Howard and Frederick Counties combined.

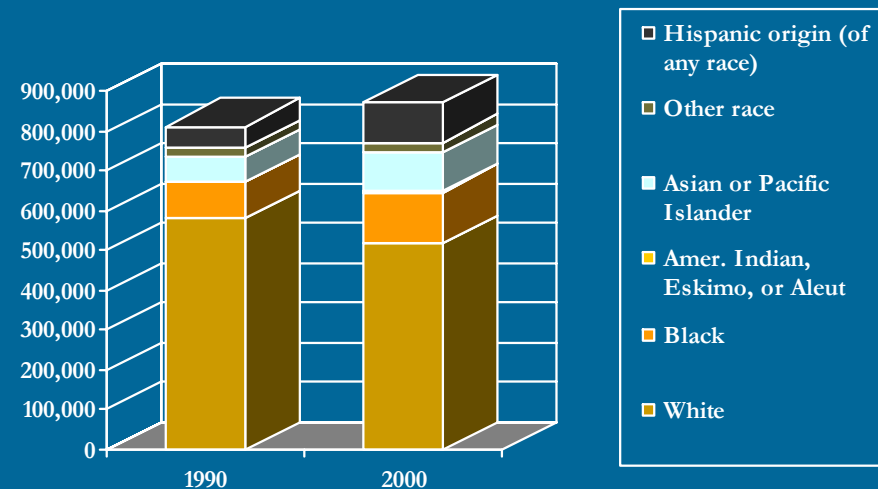
## ■ We're becoming more diverse!

- ❑ Hispanic – 80% increase
- ❑ African American – 39% increase
- ❑ Asian or Pacific Islander – 57% increase
- ❑ Other races – 29% increase

County Growth 1960 - 2010



Demographic Comparison 1990 - 2000

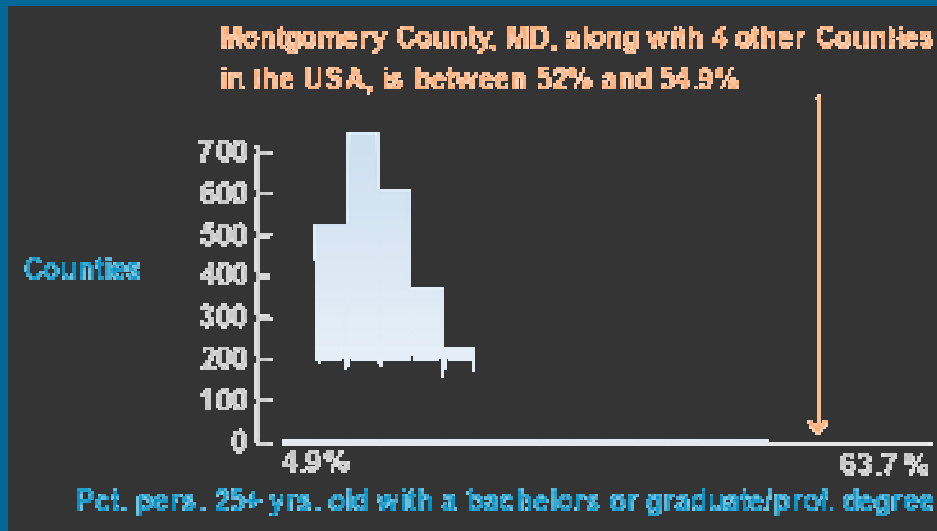




# Education

## ■ In the news:

- ❑ Forbes recently named Bethesda 2<sup>nd</sup> best place to live nationally for educational attainment<sup>1</sup>
- ❑ Churchill High School received a 2006-07 Blue Ribbon Award<sup>2</sup>
- ❑ Kimberly Oliver, a Montgomery County teacher, named 2006 Teacher of the Year<sup>3</sup>



## ■ Statistics<sup>4</sup>

- ❑ 54.6% of population has a bachelors, graduate or professional degree
  - Ranked 6<sup>th</sup> nationally
- ❑ Only 9.7% of population over 25 without a high school diploma or GED

<sup>1</sup> [www.forbes.com/lists/2006/11/MDBet.html](http://www.forbes.com/lists/2006/11/MDBet.html)

<sup>2</sup> <http://www.washingtonpost.com/wp-dyn/content/article/2006/12/11/AR2006121101127.html>

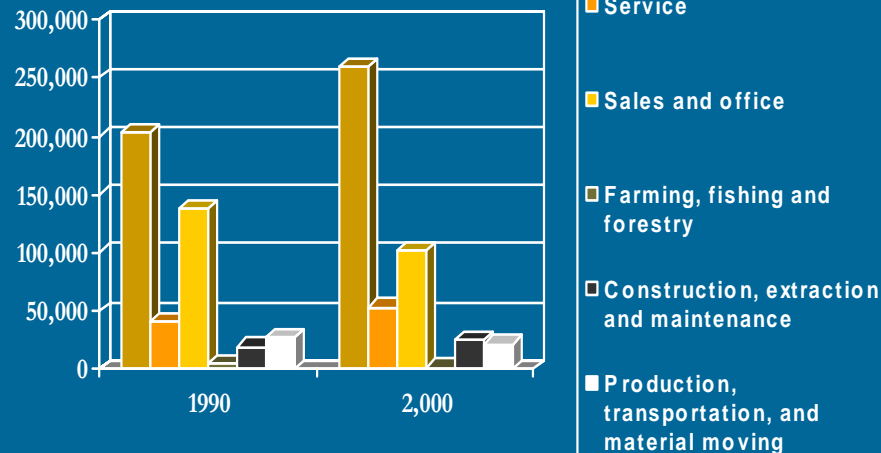
<sup>3</sup> <http://www.mcps.k12.md.us/info/kimoliver/>

<sup>4</sup> Source: Dataplace.org

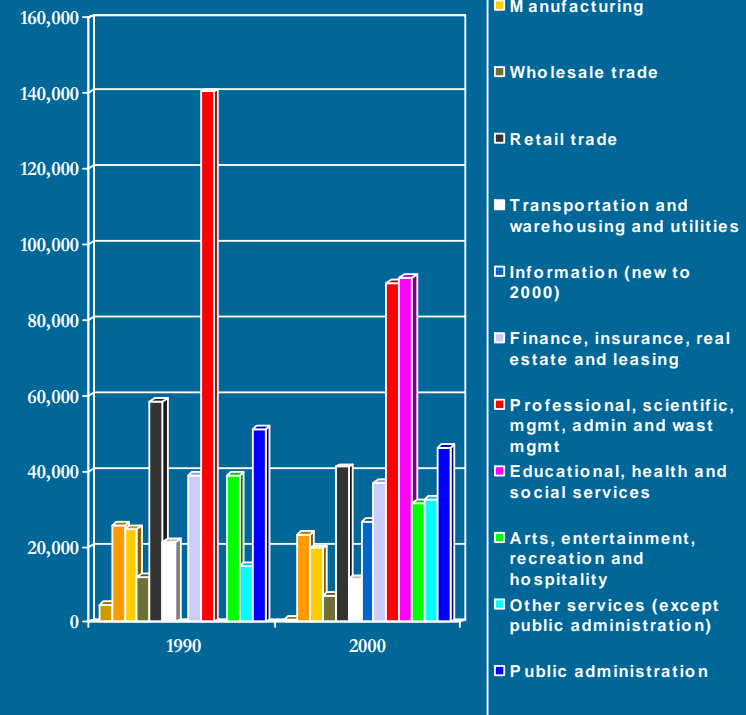
# Employment

- Unemployment rate – 2.2% (2000)
- In 2000, managerial / professional sector represented 57% of all occupations
  - ▣ 30% increase from 1990

Change in Occupation 1990 - 2000



Change in Industry 1990 - 2000

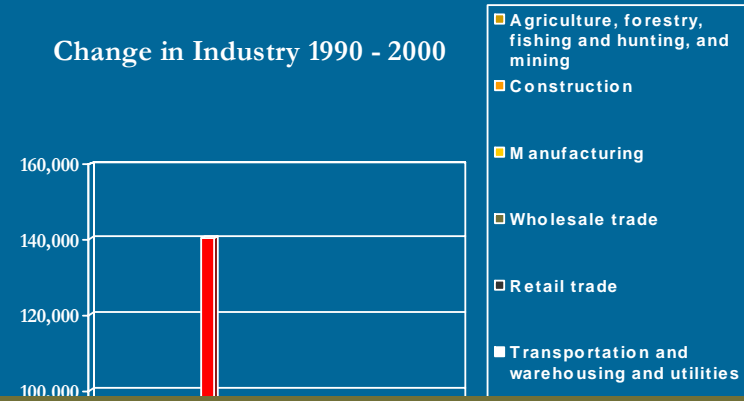


- Decrease in Professional, Scientific, Mgmt...due to adding Information and Health and Social Services categories
  - ▣ Actually represents a 48% increase

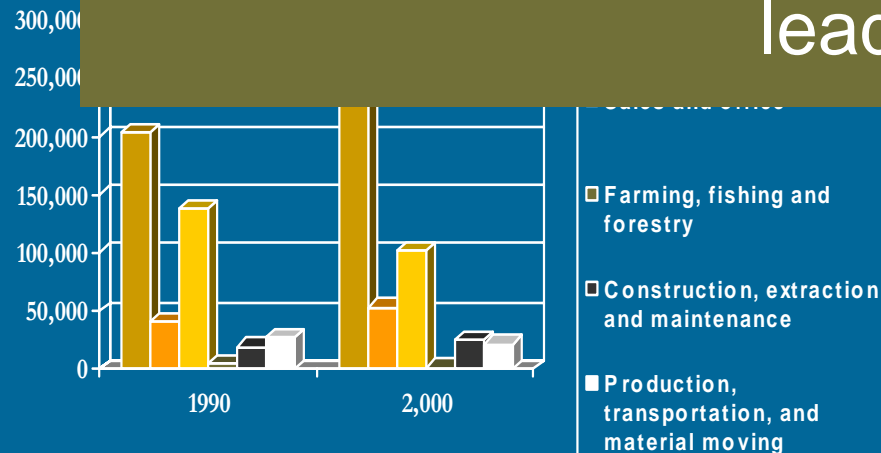
# Employment

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Change in Industry 1990 - 2000



A **Highly-Educated Population** with jobs that have **Higher Responsibilities** leads to...



- Decrease in Professional, Scientific, Mgmt...due to adding Information and Health and Social Services categories
  - Actually represents a 48% increase



# A Wealthy Community



Photo courtesy of University of Louisville College of Business

- AMI = \$90,300 for a family of four (2006)<sup>1</sup>
  - \$72,240 @ 80% AMI
  - 2 Bedroom FMR = \$1,286
- Average household income (2000) - \$95,078
  - Highest in the state<sup>2</sup>
  - 12<sup>th</sup> highest in the country<sup>2</sup>
- Median sales price (2003) \$590,760

<sup>1</sup> U.S. Department of Housing and Urban Development

<sup>2</sup> Dataplace.org

# A Wealthy Community

- AMI = \$90,300 for a family of four (2006)<sup>1</sup>
  - \$72,240 @ 80% AMI
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The **Downside** is...

Photo courtesy of University of Louisville College of Business

- Median sales price (2003)  
\$590,760

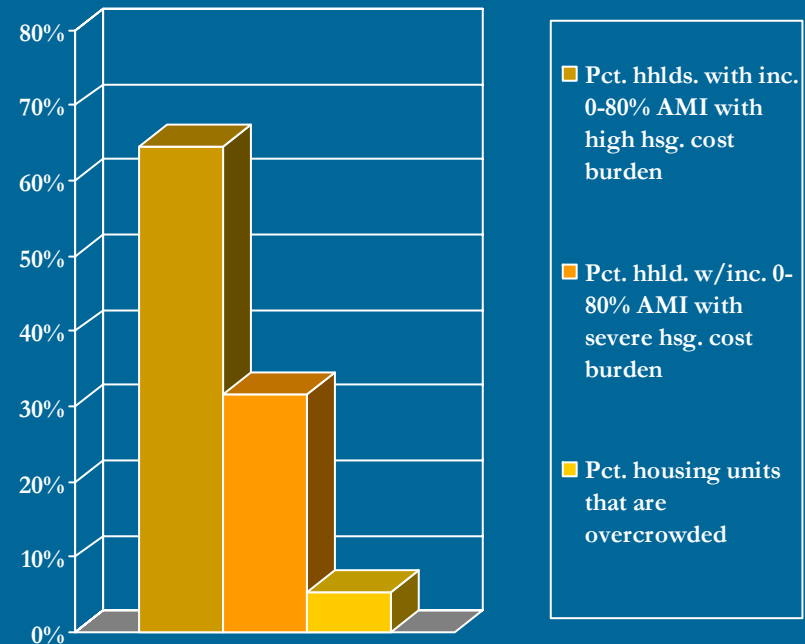
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# Income Disparity and Financial Hardship

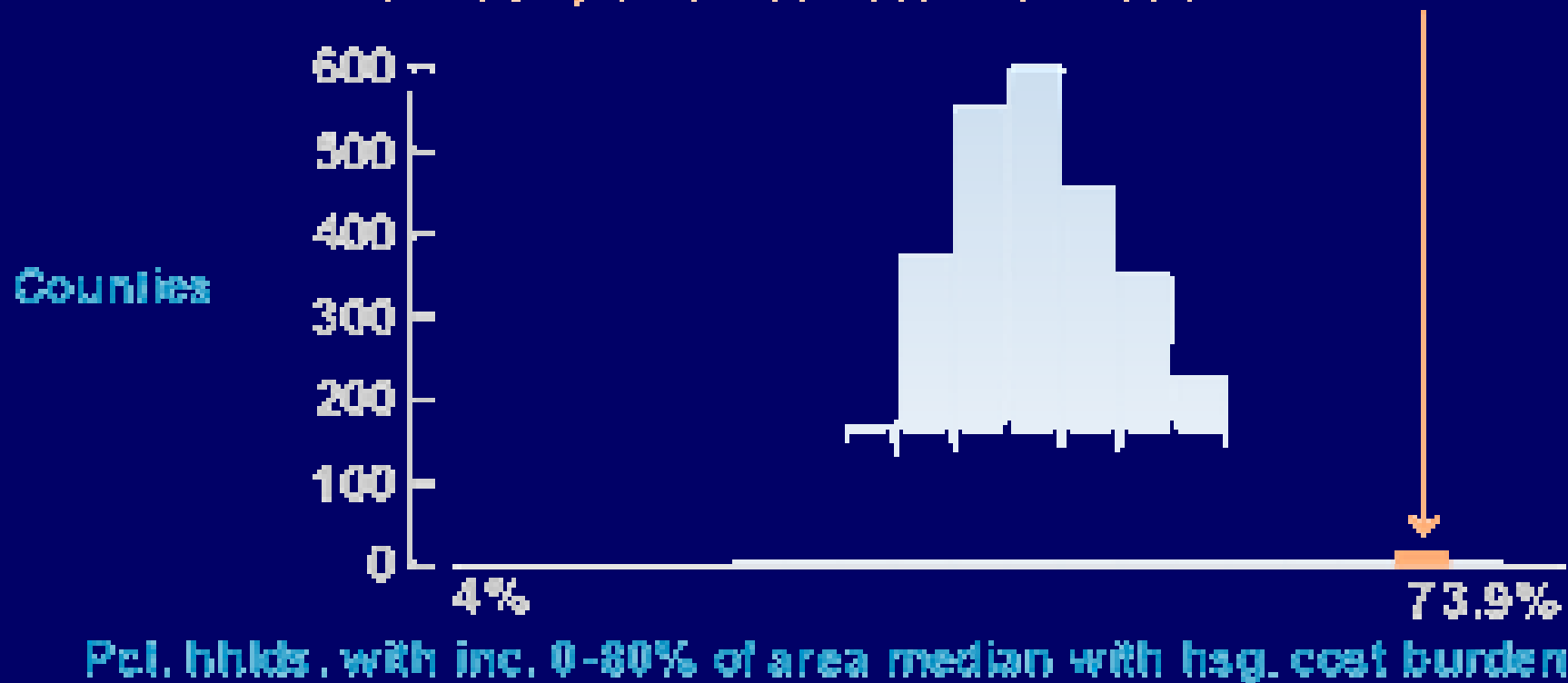
- High portion of the community with housing cost burdens
  - High = families paying more than 30% of income on housing related expenses
  - Severe = more than 50%
- Overcrowding is also becoming a concern
  - More than 2 persons per bedroom

Cost Burdens and Overcrowding



# Income Disparity and Financial Hardship

Montgomery County, MD, along with 21 other Counties in the USA, is between 63.4% and 66.9%





# Income Disparity and Financial Hardship

Montgomery County, MD, along with 21 other Counties in the USA, is between 63.4% and 66.9%

600  
500



Ranks 25<sup>th</sup> in the Country  
in Housing Cost Burdens

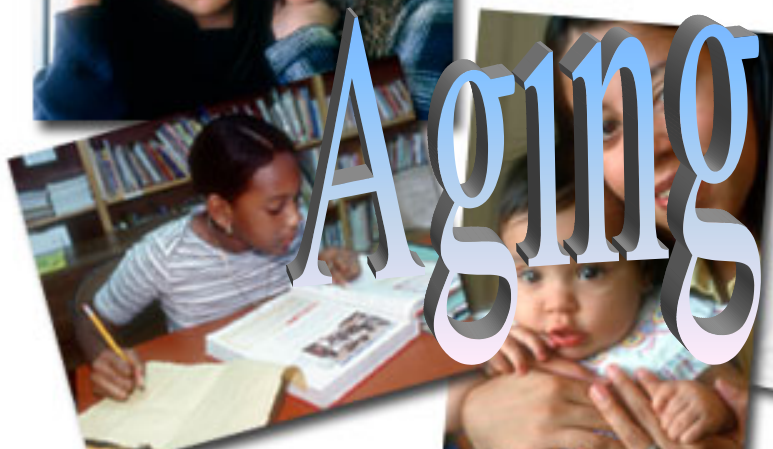
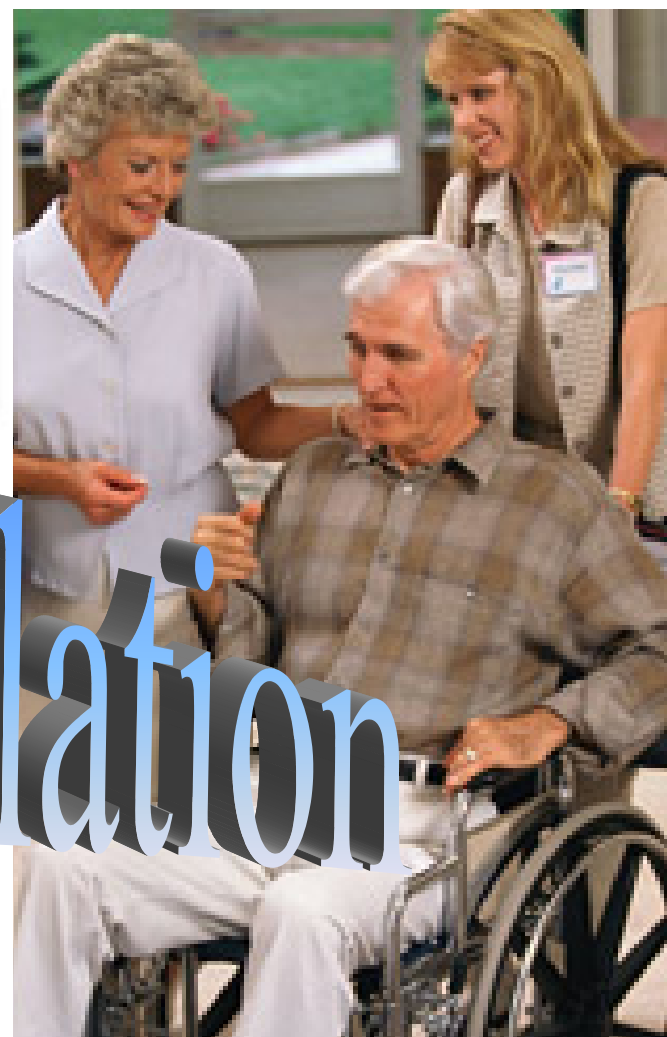
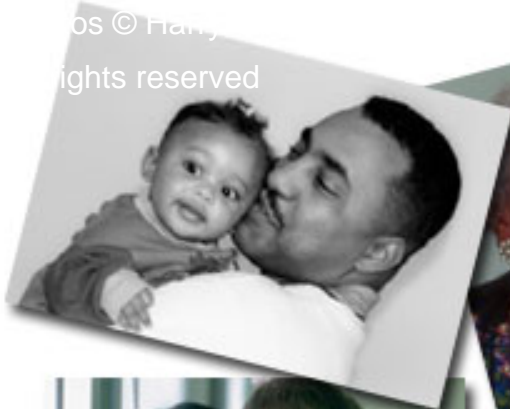
100  
0

4%

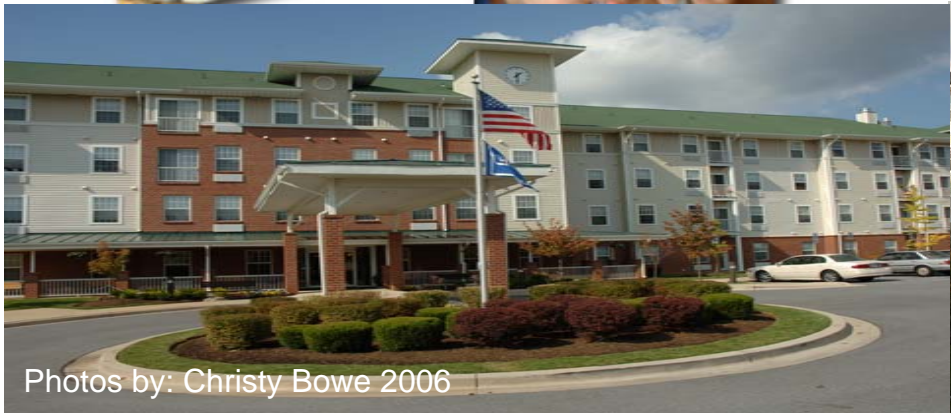
73.9%

Pct. hhlds. with inc. 0-80% of area median with hsg. cost burden

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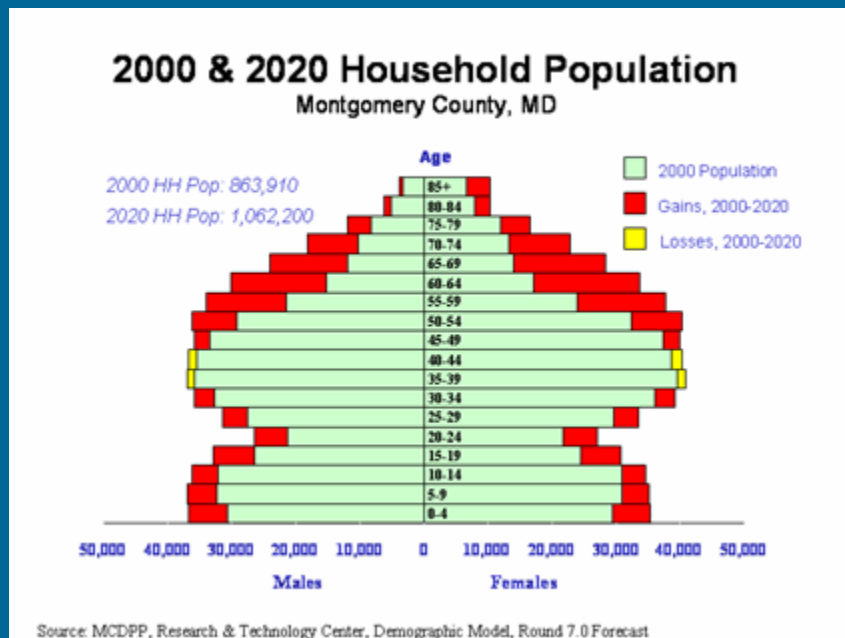


# Aging Population



Photos by: Christy Bowe 2006

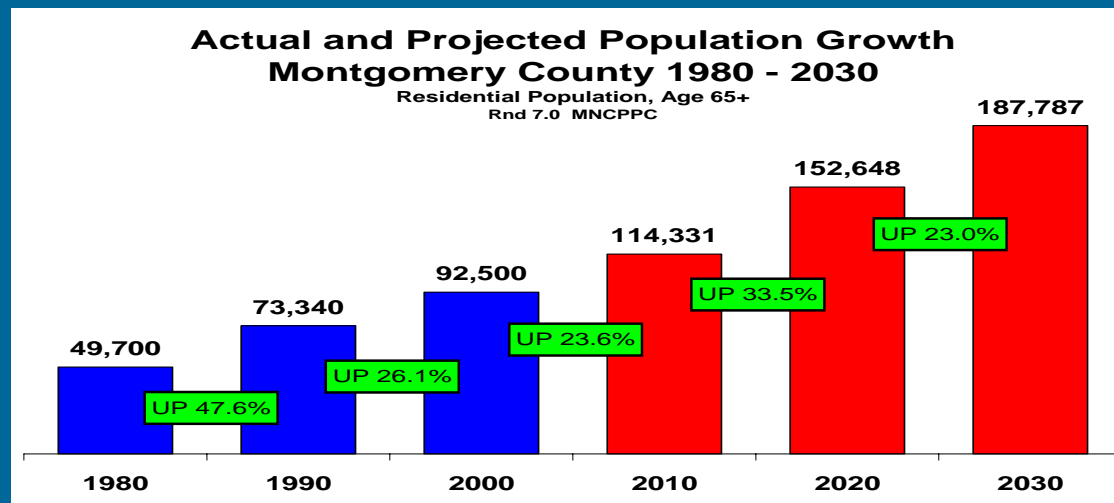
# A Look at the Population



- In 2000, the majority of the population was between 35 to 59 years old.
- 2020 projections show the largest increase will be in the “young old” population (65 – 79 years old).
  - The age group 35 – 44 is projected to decline.
  - This would hinder seniors with chronic disabilities as they are typically assisted by their adult children.

# A Local and National Trend

- Much like the rest of the U.S., the county is projected to experience an unprecedented growth in the senior population. Attributed to:
  - WWII “Baby Boom” generation
  - Improved health care which increases life expectancy



Source: HHS



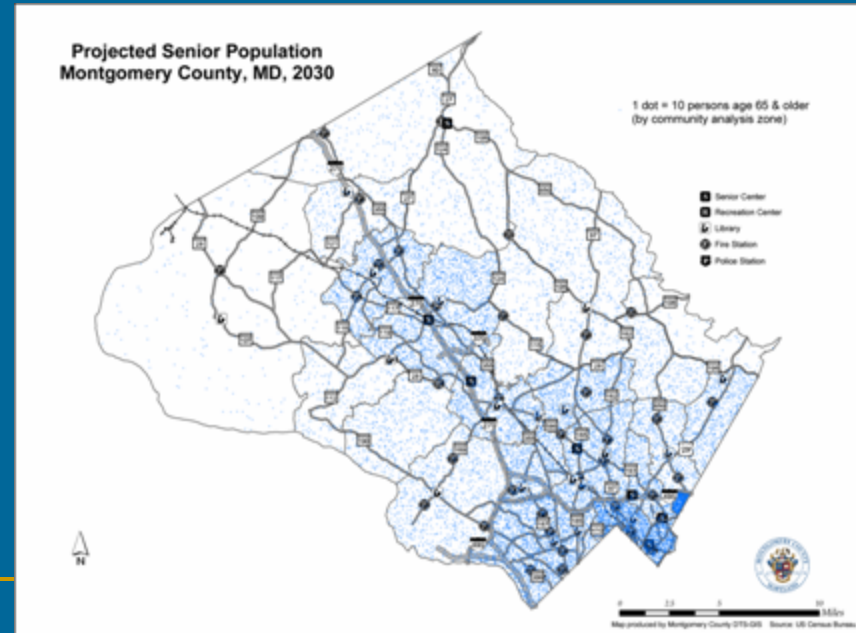
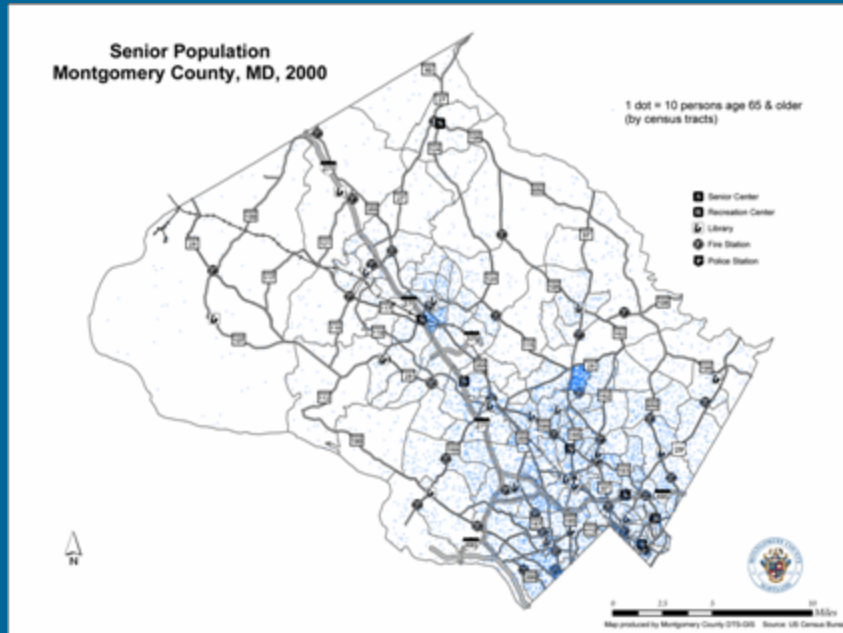
# Where Will They Live?

## ■ Factors

- Location of residence
- Access to services
- Ease of transportation
- Centralization of service nodes

## ■ Trends

- Seniors in 2030 are likely to age in place in homes purchased
- Seniors with diminished capacity could be in danger of being isolated w/o adequate transportation linkages



Source: HHS

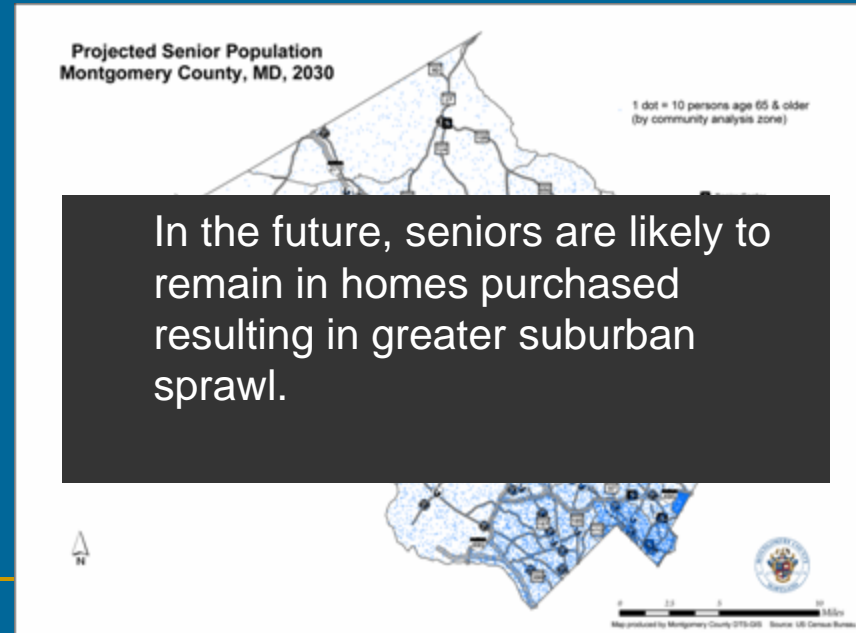
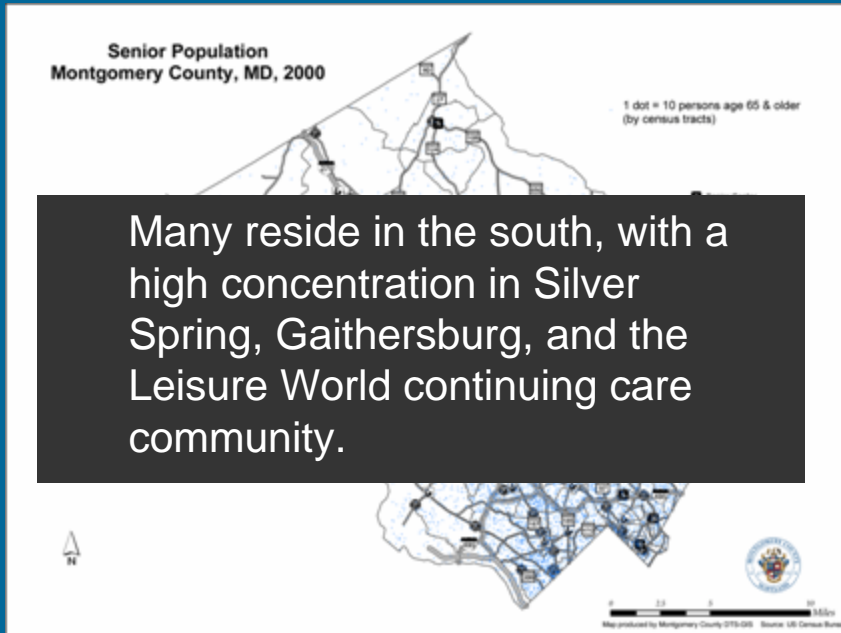
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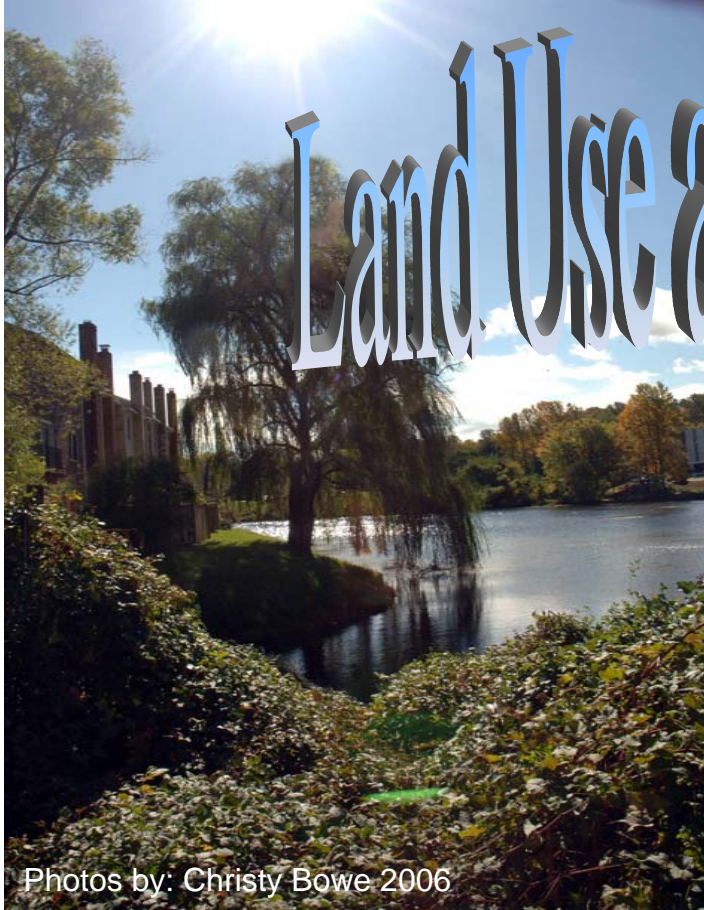
# We will be challenged to provide more services for our aging population

- In the past decade, the median age of residents of subsidized senior housing has risen from 68 to 73.
- Residents of Section 202 and other subsidized senior housing will need services to care for an increasingly frail elderly clientele.



Photo courtesy of the Garrison  
Institute on Aging





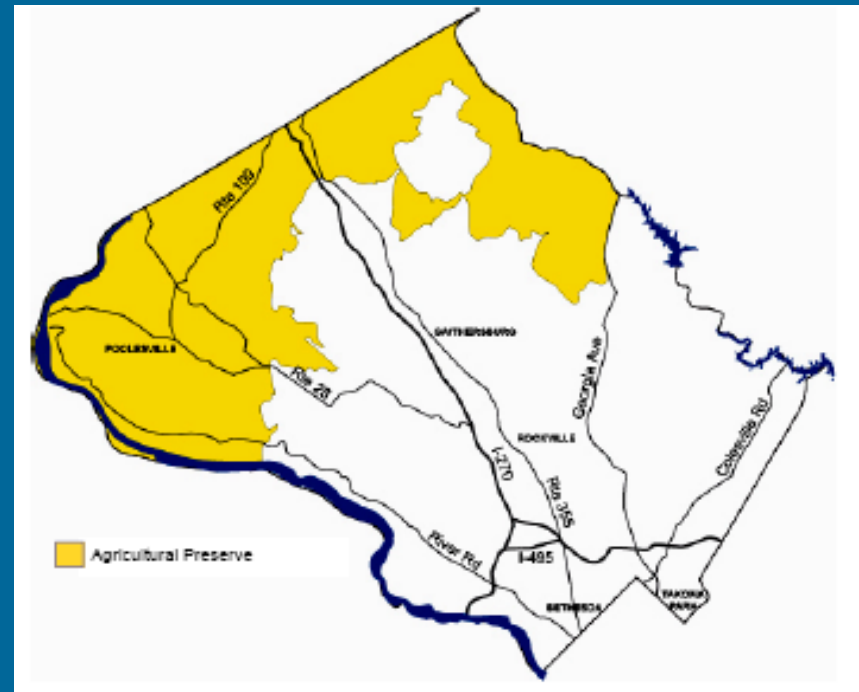
# Land Use and Housing Difficulties

Photos by: Christy Bowe 2006



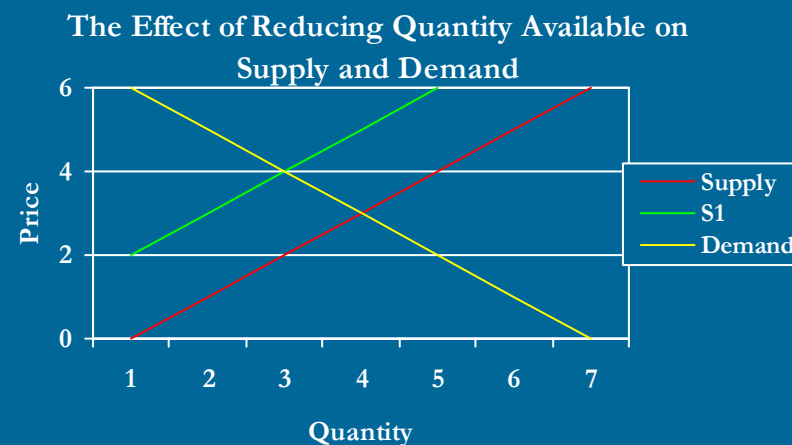
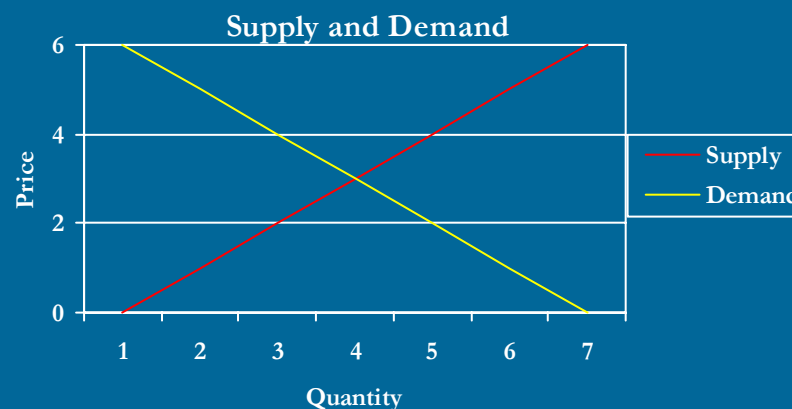
# Agricultural Land Preservation

- According to the Natural Resources Defense Council and the American Farmland Trust, Montgomery County has the *most successful farmland and open space preservation program in the country*. **Ninety-three thousand acres** in Montgomery County have been set aside, through zoning for agricultural and open space uses.
- Through FY2005, Montgomery County has protected **64,998 acres of farmland through the preservation programs** offered to its residents.



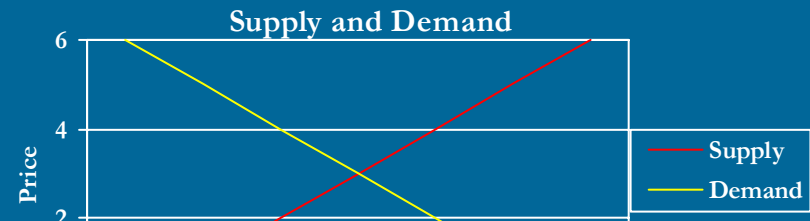
# The Economic Effects of Restricting Land

- In an open-market economy free from external restrictions, Supply and Demand will intersect at a point of equilibrium (4,3).
- Placing an external restriction (i.e. capping rents in Silver Spring, restricting land, etc) does not alter Demand but it does affect Supply. In this case, Supply shifts to S1. This results in higher prices and a new point of equilibrium (3,4).
- There are several other factors that influence the price of land including location and consumer expectations.



# The Economic Effects of Restricting Land

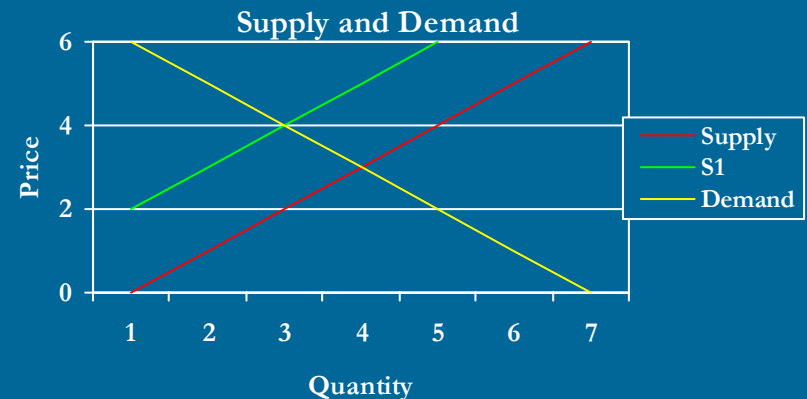
- In an open-market economy free from external restrictions, Supply and Demand will intersect at a point of equilibrium (4,3).



**High Land** and other **Housing Costs** make it **Difficult** to Develop Affordable Housing

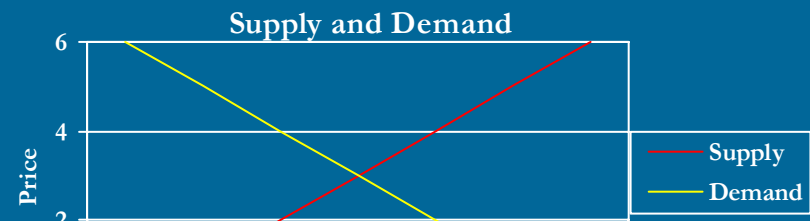
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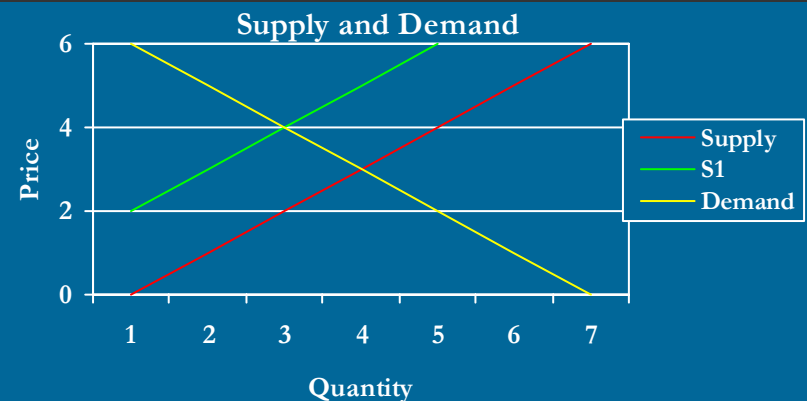
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It also makes it **Difficult** to  
Afford Housing ...

This results in higher prices and a new point of equilibrium (3,4).

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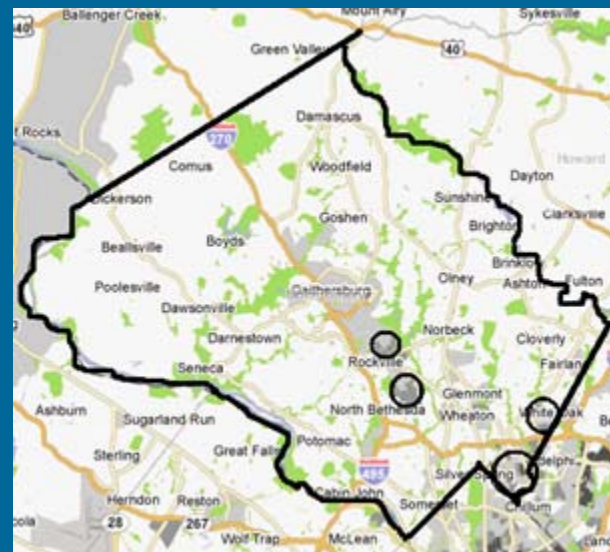
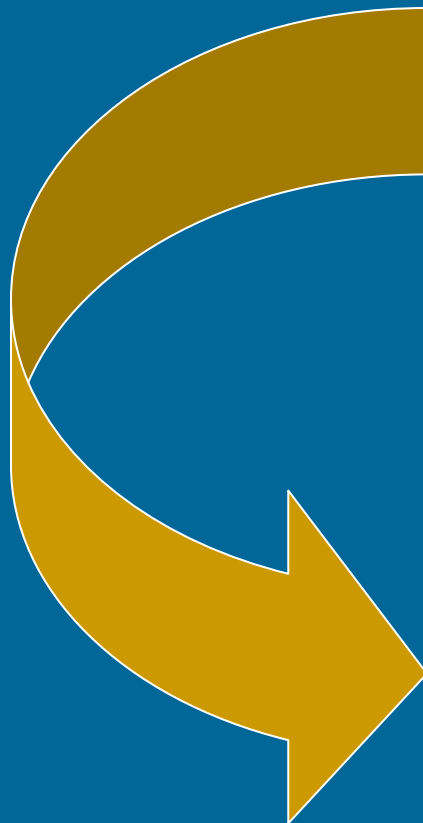
# Areas with Populations Experiencing Cost Burdens

## ■ 1990

- ❑ Rockville
- ❑ North Bethesda
- ❑ White Oak
- ❑ Silver Spring

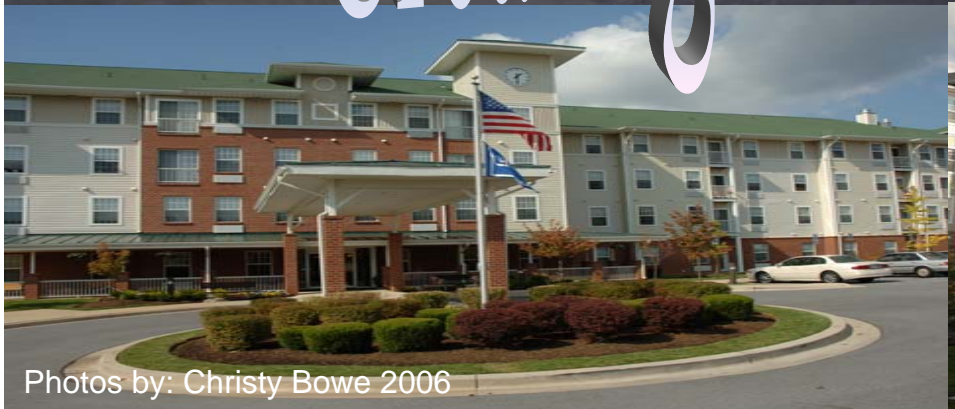
## ■ 2000

- ❑ Rockville
- ❑ North Bethesda
- ❑ White Oak
- ❑ Silver Spring
- ❑ Damascus
- ❑ Gaithersburg
- ❑ Glenmont
- ❑ Wheaton





# Creating Affordable Housing



Photos by: Christy Bowe 2006

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# Affordable Housing Programs

- Housing Initiative Fund (HIF)
  - HOME Investment Partnerships Program (HOME)
  - Moderately-Priced Dwelling Unit Program (MPDU)
-

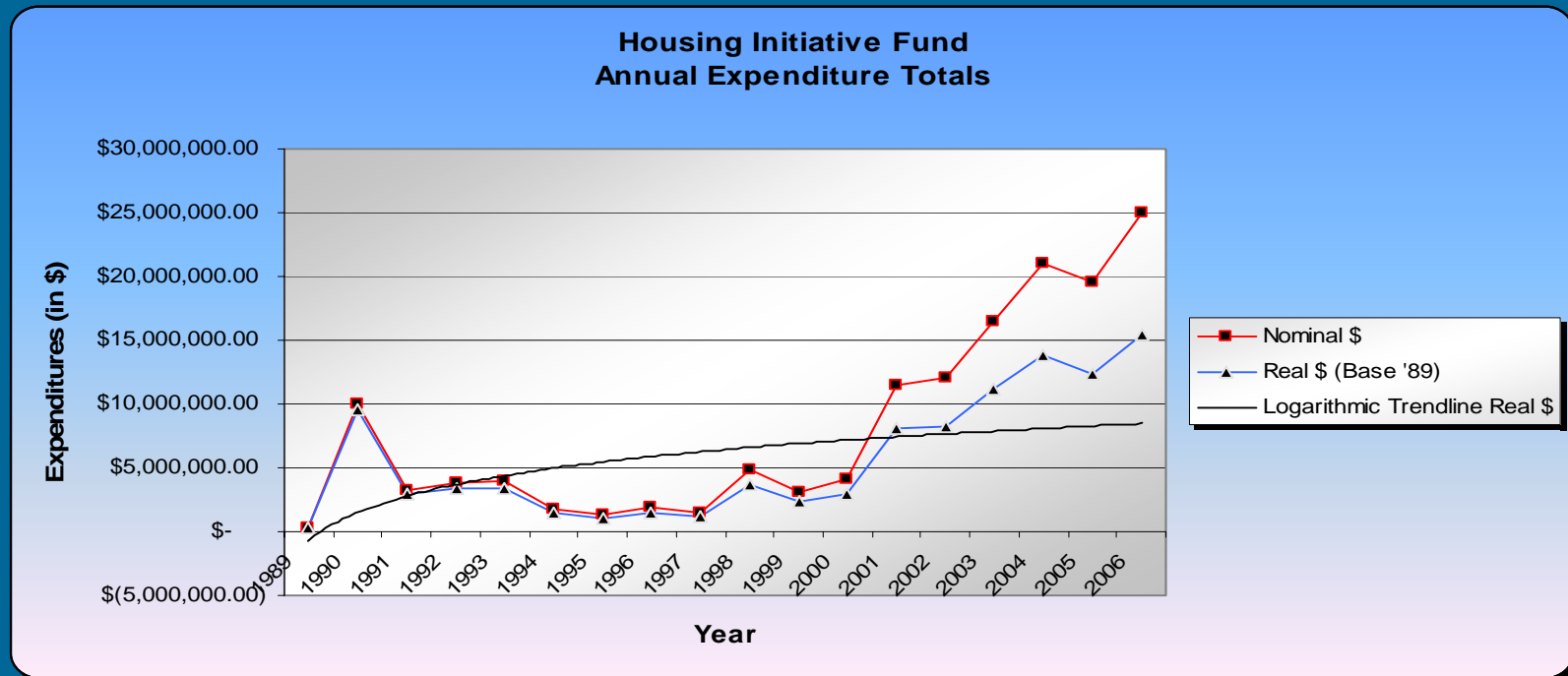


# Housing Goals

- Preserving housing that could be lost from the affordable housing stock.
- Renovating distressed properties.
- Building new, affordable housing including those for special needs populations.
- Helping build mixed-income communities through inclusionary zoning.
- Building neighborhoods and not just housing units through supportive services and programs.
- Working toward an equitable distribution of affordable housing units.



# HIF Funding



- Adopted as part of the county code in 1988.
- Establishes a trust fund to promote a broad range of housing opportunities in the county.
- Funded (primarily) through 2.5% of the gross collected real property taxes.
- Adequate funding assured by legislation in 2003 although trends show a widening of the gap between nominal and real dollars highlighted by the flattening of the trendline over time.

# HIF Projects

- Takoma Tower by Victory Housing
  - Preservation of HUD Section 202 elderly housing by Victory Housing, Inc., a non-profit – 1<sup>st</sup> in the Country!
  - Used bond financing, 9% tax credits, seller take-back financing, County HIF loan
  - Preserved 157 project-based units



# Montgomery Arms Apartments

**Property:** Historic 130 unit complex located in downtown Silver Spring built in the 1940s. Owned by the housing authority.



**HIF role:** \$2 million, 30 year loan at 3% interest rate



# New Apartments for the Gramax Building by RST Development



## 182 rental units

- 15% market rate units
- 15% Section 8 units
- Artist loft units and gallery
- Housing Initiative Fund
- MD Community Legacy Funding
- Bond financing
- \$4 million public investment
- Demolition loan
- Façade easement (CDBG)

\$35 million deal

Existing building had been vacant for over 15 years





# Barrington Apartments



- 416 units in former Limited Equity Co-op (formerly known as Rosemary Village)
- 6000 code violations corrected through comprehensive renovation
- Tax credits and tax exempt bonds
- 30% Project Based Section 8
  - Preserved because of County strategy

# Barrington Apartments – Before and After



The Barrington Before and After Building



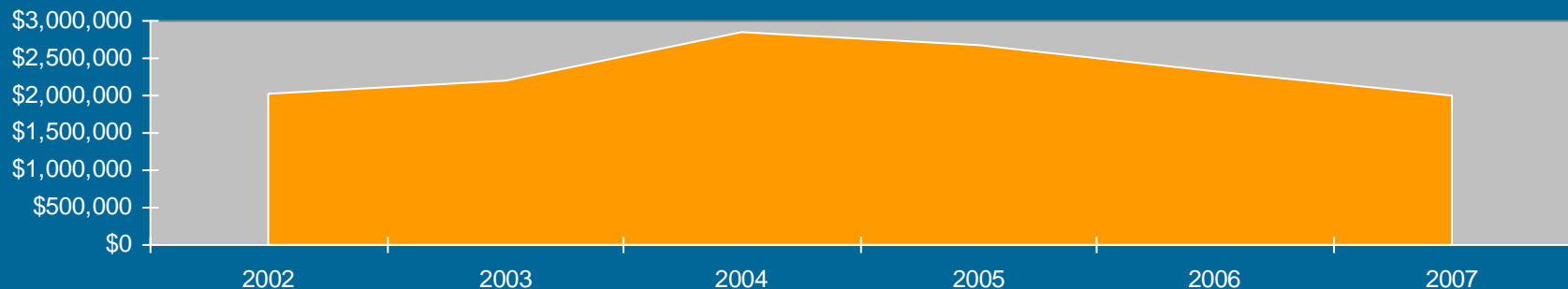
The Barrington Before and After Kitchen



# HOME Funding

- Created by the Cranston-Gonzalez National Affordable Housing Act (Nov. 28, 1990)
- Funded by HUD through formula
- Nationally HUD has allocated less funds to formula grants

Montgomery County's HOME Program Funding (2002 - 2007)



# HOME Projects



Photos by: Christy Bowe 2006

- The Award-Winning Seneca Heights
- Reconstruction of an old Econo Lodge motel
- Unit Breakdown
  - ❑ 57 units, 11 HOME
  - ❑ 40 for single adults
  - ❑ 17 (2 – 3 BR) for transitional use
- Funding
  - ❑ HOME ~ \$1M
  - ❑ HIF - \$4M
  - ❑ State - \$4M



# MHP Acquisitions

- Montgomery Housing Partnership receives HOME funding in “blocks”
- Typically between \$600k - \$1M
- Leverages funds with a 1<sup>st</sup> Mortgage private bank loan and / or with fundraising to purchase MPDU's
- Provides affordable housing often to large families

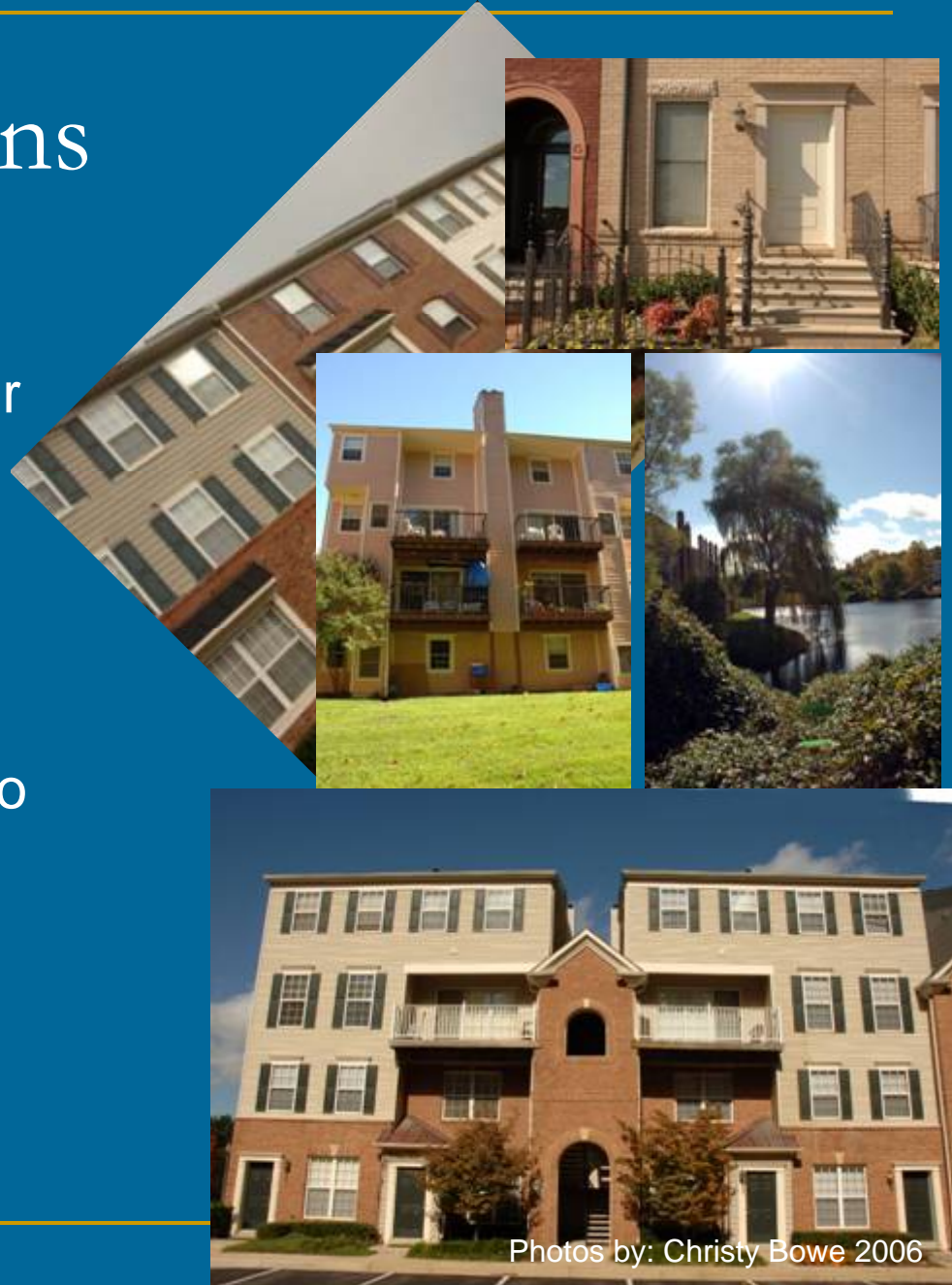


Photos by: Christy Bowe 2006



# HUI Acquisitions

- Housing Unlimited Inc. receives HOME funding per application
- Typically between \$30k - \$100k
- Leverages funds with a 1<sup>st</sup> Mortgage from Maryland CDA and with fundraising to purchase MPDU's
- Provides special needs housing to chronically mentally ill adults who are capable of independent living



Photos by: Christy Bowe 2006

# MPDU Program

- Created by the Moderately Priced Housing (MPH) Law in 1974.
- Requires a certain percentage, typically 12.5 – 15%, of houses or apartments in new projects with 20 or more units be MPDU's.
- The county makes these homes available to eligible households through its MPDU program.

# MPDU Process



Photos by: Christy Bowe 2006

- Application
- Eligibility
  - First-time Homebuyers Only
  - Income Limits
- Selection Process
  - Homes for Purchase
  - Apartments
- Financing

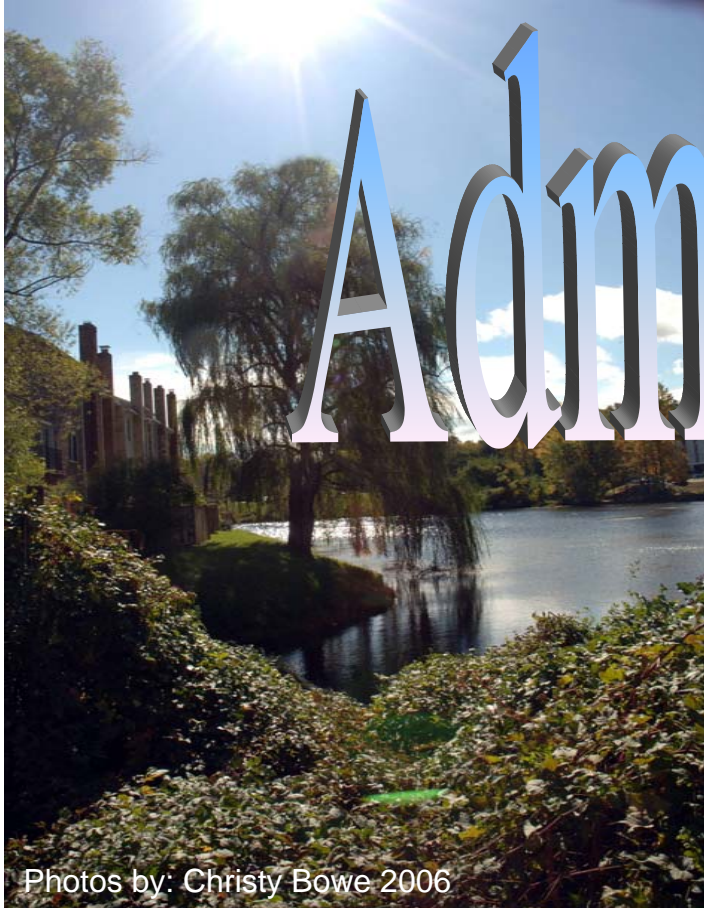
# MPDU Process (cont')

- Types of Homes
- Occupancy and Resale Restrictions
  - Occupancy
  - Control of Resale
  - Share of Excess Profit



Photos by: Christy Bowe 2006





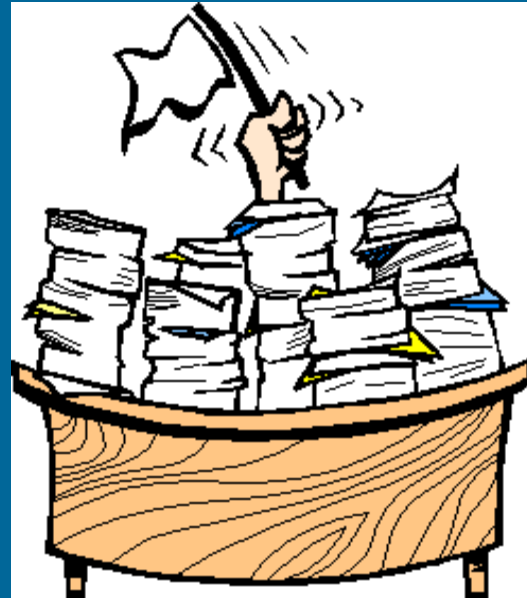
# Administration

Photos by: Christy Bowe 2006



# Administrative Process

- Application
- Staff Review and Underwriting
- Loan Committee
- Director Decision
- Closing on Property/ Loan documents



# Administrative Process (cont')

## ■ **Step 1: Application Process**

- ❑ Developer submits application to the Department of Housing and Community Affairs.
- ❑ Application is straight forward, requiring information that is needed for a normal development project.
- ❑ Rolling application, no deadlines.
- ❑ Staff reviews application and analyzes requests.

## ■ **Step 2: Loan Committee**

- ❑ Designated by the Director of the Department of Housing and Community Affairs.
- ❑ Diverse group of county residents and staff.
- ❑ Holds Monthly meetings or as needed.
- ❑ Staff prepares packet and presents requests to Committee.
- ❑ Reviews application and meets with applicant.
- ❑ Determines if request meets threshold criteria and funding guidelines.
- ❑ Makes Recommendations to Director.

# Administrative Process (cont')



## ■ Step 3: Director Decision

- Director of the Department of Housing and Community Affairs:
  - Reviews recommendations by Loan Committee.
  - Determines which requests will be funded.
  - Determines the conditions and terms of the loan.

## ■ Step 4: Award of Funds

- Developer receives funding via low interest or cash flow loans. Funds available at closing or as needed.
- Terms: Typically 0-3% interest. Often, cash flow loans or deferred payments.

# Factors Considered During the Review Process

## ■ Purpose:

- ❑ Complies with HOME mission and guidelines
- ❑ Public purpose: serves low income population
- ❑ Neighborhood need
- ❑ Need for physical improvement

## ■ Compatibility:

- ❑ Project design
- ❑ Land use and zoning
- ❑ Community support

## ■ Feasibility/ Cost:

- ❑ Financial feasibility and need
- ❑ Leveraging
- ❑ Cost reasonableness
- ❑ Market feasibility
- ❑ Readiness to go forward
- ❑ Availability of support services
- ❑ Development team capacity



# What's Next?

- Requiring “Green” Building Practices
  - <http://www.usgbc.org/>
  - <http://www.epa.gov/greenbuilding/>
- Developing Workforce Housing Policies
  - MD (DHCD) Program: <http://www.morehouse4less.com/>
- Re-Assessing Inclusionary Zoning Policies

# Sources

- <http://www.census.gov/>
- “Creating Affordable Housing with the Housing Initiative Fund” PowerPoint
- “Creating and Maintaining Affordable Housing: The HOME Investment Partnerships Program” PowerPoint
- <http://www.dataplace.org>
- [http://en.wikipedia.org/wiki/Montgomery\\_County,\\_Maryland](http://en.wikipedia.org/wiki/Montgomery_County,_Maryland)
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- <http://www.montgomerycountymd.gov/apps/dhca/index.asp>
- <http://quickfacts.census.gov/qfd/states/24/24031lk.html>
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